Registered number: 02810403

LONDON PROCESSING CENTRE LIMITED

Annual report

for the year ended 31 December 2013

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LONDON PROCESSING CENTRE LIMITED

Annual report
for the year ended 31 December 2013

Directors and advisors

Directors

Name

R Bucknall
D Matcham
S McGovern
E Gilmour
M Pell
R Myers
J Priggen (Resigned 25 September 2013)
J Hurst-Bannister
A Guttridge
P Carson (Appointed 25 September 2013)

Company secretary

Gail McGraph – resigned 25 June 2013
A Myburgh – appointed 19 September 2013

Registered office

The Walbrook Building
25 Walbrook
London
EC4N 8AQ

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Solicitors

Ashurst
Broadwalk House
5 Appold Street
London
EC2A 2HA

Bankers

Royal Bank of Scotland plc
Corporate Banking Group
9th Floor
280 Bishopsgate
London
EC2M 4RB

Strategic report for the year ended 31 December 2013

The directors present their strategic report on the company for the year ended 31 December 2013.

Review of business

The company results are set out in the profit and loss account on page 10.

Both the level of business and the year end financial position of the company were in line with expectations. The directors expect a continued expansion in the range of activities undertaken by the company over the next year.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the company are strategic in nature relating to a failure to meet evolving customer demands for new and existing e-processing services and to respond adequately to a competitive market environment. Further discussion of these risks and uncertainties, in the context of the Ins-sure Holdings Limited group (of which London Processing Centre is a part), is provided on page 3 of that group's strategic' report.

Key performance indicators

The directors of Ins-sure Holdings Limited manage the operations of Ins-sure Services Limited, LPSO Limited, London Processing Centre Limited and Xchanging Insurance Technical Services Limited on a departmental basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of London Processing Centre Limited. The development, performance and position of the business of the company is discussed on page 3 of the Ins-sure Holdings Limited group's strategic report which does not form part of this report.

Strategy and future developments

The business will continue to be strengthened through a number of key strategic initiatives managed by the executive management team. Detailed analysis of these initiatives is provided on page 3 of the Ins-sure Holdings Limited group's strategic report.

On behalf of the board

Paul Carson

P Carson
Director
23 May 2014

Directors' report
for the year ended 31 December 2013

The directors present their report and the audited financial statements of the company for the year ended 31 December 2013.

Principal activities

The principal activity of the company is the provision of administration services for domestic and international clients. The focus within administrative services is on processing and settlement services to members of the International Underwriting Association ("IUA") and other insurers.

Business environment

In 2013 the London market has continued to increase the volume of business underwritten and to invest in the re-invention of its administration processes through the Electronic Claims File and e-Accounts programmes.

Future Developments

The business will continue to be strengthened through a number of key strategic initiatives managed by the executive management team as described in more detail in the Strategic Report on page 2.

The company results are set out in the profit and loss account on page 9.

Research and development

The company continues to invest in researching and developing new and innovative products and services to help improve the efficiency of the London Insurance Market.

Financial risk management

Given the size of the company, the directors are satisfied that the monitoring of financial risk management is carried out by the board of the Ins-sure Holdings Limited group. The policies set by the board of directors are implemented by the group's finance department.

The company is exposed to a variety of financial risks which are reviewed on a regular basis in order to limit the adverse effects on the financial performance of the company.

(i) Foreign exchange risk
The company has limited foreign exchange risk as the majority of trade is within the UK and is not denominated in a foreign currency.

(ii) Credit risk
Credit risk is managed on a group basis. Credit risk arises from cash and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. The group's credit risk with customers is limited as a significant proportion of annual income is either collected in advance via annual subscription or by direct settlement in the month following that when the service was provided. Where customers are provided with credit, regular credit control reviews are performed to monitor the collection of the debt and risk assessments are carried out for new customers

(iii) Liquidity risk
The company actively monitors that it has sufficient funds for operations and any planned expansion. The company's policy is to retain a minimum cash holding set at an appropriate level for the size of the company's operations.

(iv) Capital management risk
The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(v) VAT risk
The EU is currently reviewing VAT rules on financial and insurance services; with a view to modernise and standardise across the EU. This may lead to some currently exempt services provided by the company to become non exempt. Any resulting change is not expected to take effect before 2014. We continue to track these legislative developments, assess their likely impact and seek to mitigate.

Results and dividends

The company's profit for the year was £2,129,000 (2012: £1,013,000).

Dividends paid during 2013 were £130,000 (2012: nil).

Directors

The directors who served throughout the year and held office at the date of signing the financial statements are detailed on page 1. Paul Carson was appointed as a director on 25 September 2013, whilst John Priggen resigned as a director on 25 September 2013.

Directors' report
for the year ended 31 December 2013(continued)

Employment policies

The company is committed to employment policies which follow best practice based on equal opportunities for all employees, irrespective of sex, race, colour, disability, marital status, age or religion. The company is also committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interests.

Employees are kept well informed of performance and objectives of the company through regular email communications and periodic briefings by senior management.

The directors consider that the availability of a discretionary bonus scheme has a vital role in motivating and retaining employees. In addition certain employees may participate in the Xchanging plc Group share option plan.

Qualifying third party indemnity provision

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 the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The group has also purchased and maintained throughout the year Directors' and Officers' liability insurance in respect of itself and its Directors.

Disabled persons

It is the policy of the company to offer appropriate training and career development to disabled persons, as far as possible identical to other employees, that are in line with best practice. In the event of a member of staff becoming disabled every effort is made by the company to continue employment and arrange appropriate retraining and maintain opportunities for promotion.

Directors' report for the year ended 31 December 2013(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). 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 the company and of the profit or loss of the group 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 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

Each director of the company, in office at the time of approval of this report, acknowledges that so far as they are aware:

- there is no relevant audit information of which the company's auditors are unaware; and

- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Paul Carson

P Carson
Director
23 May 2014

Independent auditors' report to the members of London Processing Centre Limited

Opinion on financial statements

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit 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, which are prepared by London Processing Centre Limited, comprise:

- the profit and loss account for the year then ended;
- the statement of total recognised gains and losses for the year then ended; and
- the balance sheet as at 31 December 2013; 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 their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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 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.

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.

Independent auditors' report to the members of London Processing Centre Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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 Directors' Responsibilities Statement set out on page 7, 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 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.

Paul Aitken (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 May 2014

Profit and loss account
for the year ended 31 December 2013

	Note	2013	2012
		£'000	£'000
Turnover	2	**19,386**	17,982
Operating costs	3	(16,858)	(16,635)
Operating Profit		**2,528**	1,347
Interest receivable and similar income	6	**1**	33
Other finance income	7	**382**	84
Profit on ordinary activities before taxation		**2,911**	1,464
Tax on profit on ordinary activities	8	**(782)**	(451)
Profit for the financial year	14	**2,129**	1,013

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalent.

All results presented above relate to continuing operations of the company.

Statement of total recognised gains and losses for the year ended 31 December 2013

	Note	2013	2012
		£'000	£'000
Profit for the financial year		**2,129**	1,013
Actuarial gain on pension scheme	16	**2,270**	778
Movement on current tax relating to pension deficit	14	**215**	142
Movement on deferred tax relating to pension deficit	14	**(743)**	(338)
Total recognised gains and losses relating to the year		3,871	1,595

Balance sheet
as at 31 December 2013

	Notes	2013 £'000	2012 £'000
Current assets			
Debtors	9	**6,347**	3,951
Cash at bank and in hand		**9,055**	5,370
		15,402	9,321
Creditors: amounts falling due within one year	10	**(11,026)**	(6,274)
Net current assets		**4,376**	3,047
Pension deficit	16	**(321)**	(2,769)
Net assets		**4,055**	278
Capital and reserves			
Called up share capital	13	**230**	230
Profit and loss account	14	**3,825**	48
Total shareholder's funds	15	**4,055**	278

The notes on pages 12 to 25 are an integral part of these financial statements.

The financial statements on pages 9 to 25 were approved by the board of directors on 23 May 2014 and were signed on its behalf by:

Paul Carson

P Carson
Director

Registered number 02810403

Notes to the financial statements for the year ended 31 December 2013

1 Principal accounting policies

The financial statements have been prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom. A summary of the more significant accounting policies, which, unless otherwise stated, have been applied consistently with the prior year, is set out below.

Going concern
The directors believe that preparing the financial statements on the going concern basis is appropriate based on the company's financial position and consolidated cash flow projections for the Ins-sure Holdings Limited group of companies for the foreseeable future.

Cash flow statement
The company is a wholly owned subsidiary of Ins-sure Holdings Limited and is included in the consolidated financial statements of Ins-sure Holdings Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996).

Turnover
Turnover in respect of the provision of administration services, which is stated exclusive of value added tax, comprises amounts receivable for subscription fees and a transaction charge for the provision of administration services. Subscription fees are recognised in the profit and loss account on a straight line basis according to the period to which they relate. Transactional revenue for these services is recognised in the period in which the transaction takes place.

Foreign currencies
Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities are translated at the rates of exchange ruling on the balance sheet date and any differences arising are taken to the profit and loss account.

Financial instruments

The company does not trade in derivative financial instruments. Capital instruments that contain an obligation to transfer economic benefit are classed as liabilities and are recorded at their net proceeds. Financial assets are recorded at cost and the return on such assets is accrued in the period to which it relates.

The company's financial instruments comprise cash and various items such as trade debtors and trade creditors that arise directly from its operations. The fair value of financial assets and liabilities are approximately equal to their book values.

Operating leases

Rental costs under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Notes to the financial statements for the year ended 31 December 2013(continued)

Related party transactions

The company has taken advantage of the exemption available in Financial Reporting Standard 8 not to disclose transactions with related parties that are wholly owned by the Xchanging Ins-Sure Holding group. All other related party transactions are disclosed in note 20.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. However, deferred tax assets are regarded as recoverable and therefore recognised, only when, on the basis of all available evidence, the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Pensions

The company operates a defined benefit pension scheme. A professional independent actuary values the fund triennially and the valuations are updated at each year-end for FRS 17 purposes.

Scheme assets are measured at their fair value at the balance sheet date. Scheme liabilities are measured on an actuarial basis using the projected unit method. Current and past service costs are charged to the profit and loss account. Expected returns on assets and interest costs on liabilities are recognised as other finance income in the profit and loss account. Actuarial gains and losses are recognised in full in the statement of total recognised gains and losses.

The company also participates in a defined contribution scheme, operated by Xchanging UK Limited and the Corporation of Lloyds, both related companies. Contributions are charged to the profit and loss account as incurred.

Notes to the financial statements for the year ended 31 December 2013(continued)

2 Turnover

All turnover relates to continuing activities in both years and was derived from the company's principal activities. All services originated in the United Kingdom.

Turnover by geographical destination:

	2013	2012
	£'000	£'000
United Kingdom	15,741	14,370
Continental Europe	2,038	2,493
USA	102	107
Rest of the world	1,505	1,012
	19,386	17,982

3 Operating costs

Operating profit is stated after charging:	2013	2012
	£'000	£'000
Staff costs:		
Wages and salaries	1,802	2,081
Social security costs	163	194
Other pension costs	517	451
Share option expense	29	42
	2,511	2,768
Other operating costs	14,347	13,867
	16,858	16,635

Other operating costs include the following:

	2013	2012
Rental costs relating to operating leases		
– land and buildings	1,080	1,208

In 2013 audit fees of £63,000 (2012: £63,000) were borne by Ins-sure Services Limited relating to the audit of LPSO Limited and London Processing Centre Limited. The fees were not recharged.

Notes to the financial statements for the year ended 31 December 2013(continued)

4 Directors' emoluments

The remuneration of the Directors is borne by Ins-Sure Holdings Limited. They do not consider it practical to allocate their remuneration between the various subsidiary entities and no recharge is made for their services.

5 Employees

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2013	2012
	Number	Number
By activity		
Service delivery	**46**	49
Administration	**5**	6
	51	55

6 Interest receivable and similar income

	2013	2012
	£'000	£'000
Bank Interest	**1**	33

7 Other finance income

	2013	2012
	£'000	£'000
Other finance income (note 15)	**382**	84

Notes to the financial statements for the year ended 31 December 2013(continued)

8 Tax on profit on ordinary activities

	2013	2012
	£'000	£'000
Current tax:		
UK corporation tax on profits of the year	678	367
Adjustments in respect of prior years	(9)	-
Total current tax	669	367
Deferred tax:		
Original and reversal of timing differences	120	84
Adjustments in respect of prior years	(7)	-
Total deferred tax (note 11)	113	84
Tax on profit on ordinary activities	782	451

The tax assessed for the year is lower (2012: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2013 of 23.25% (2012: 24.5%). The differences are explained below.

	2013	2012
	£'000	£'000
Profit on ordinary activities before tax	2,911	1,464
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	677	359
Expenses not deductible for tax purposes	2	10
Depreciation for the year in excess of capital allowances	(1)	(2)
Adjustments in respect of prior years	(9)	-
	669	367

Factors affecting the current tax charge for the year

In addition to the changes of Corporation tax disclosed above further changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These include reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015, the relevant deferred tax balances have been re-measured.

Notes to the financial statements for the year ended 31 December 2013(continued)

9 Debtors

	2013	2012
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	434	501
Amounts owed by group undertakings	4,031	1,713
Other debtors	77	30
Prepayments and accrued income	1,798	1,674
Deferred taxation (note 12)	7	33
	6,347	3,951

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

10 Creditors: amounts falling due within one year

	2013	2012
	£'000	£'000
Trade creditors	-	85
Amounts owed to group undertakings	10,032	5,479
Corporation tax	456	3
Taxation and social security	46	104
Other Creditors	392	87
Accruals and deferred income	100	516
	11,026	6,274

All amounts owed to group undertakings included in the above balance are unsecured, interest free and are repayable on demand.

Notes to the financial statements for the year ended 31 December 2013(continued)

11 Equity dividend

	2013 £'000	2012 £'000
Dividend declared and paid		
A shares: 57p per share (2012:0p)	**65**	-
B shares: 57p per share (2012:0p)	**65**	-
	130	-

12 Deferred Tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20% (2012: 23%) for differences arising in the UK.

The movements in deferred tax assets are shown below:

	2013 £'000	2012 £'000
Deferred tax asset as at 1 January	**860**	1,282
Amount charged to profit and loss (note 8)	**(113)**	(84)
Adjustment to opening balances	**83**	-
Amount credited to statement of total recognised gains and losses	**(743)**	(338)
Deferred tax asset at 31 December including deferred tax on pension asset	**87**	860

	2013 £'000	2012 £'000
Deferred tax asset comprises:		
Tangible fixed asset timing differences	**(5)**	(2)
Other timing differences	**12**	35
Deferred tax asset	**7**	33
Deferred tax asset on pension asset (note 15)	**80**	827
Total deferred tax asset recognised	**87**	860

The company has recognised deferred tax assets where there are forecast taxable profits in the next 12 months from which the future reversal of the underlying timing difference can be deducted.

Notes to the financial statements for the year ended 31 December 2013(continued)

13 Called up share capital

	2013	2012
	£'000	£'000
Allotted and fully paid		
114,735 (2012: 114,735) ordinary "A" shares of £1 each	**115**	115
114,735 (2012: 114,735) ordinary "B" shares of £1 each	**115**	115
	230	230

Each class of shares above carry the same rights and privileges and rank pari passu in all respects.

14 Profit and loss account

	£'000
At 1 January 2013	48
Profit for the financial year	2,129
Dividend	(130)
Actuarial gain on pension scheme	2,270
Share based payment	36
Movement on deferred tax relating to pension scheme	(743)
Movement on current tax relating to pension scheme	215
At 31 December 2013	**3,825**

15 Reconciliation of movements in equity shareholder's funds

	2013	2012
	£'000	£'000
Opening equity shareholder's funds / (deficit)	**278**	(1,354)
Profit for the financial year	**2,129**	1,013
Dividend	**(130)**	-
Share based payment	**36**	37
Other recognised gains and losses relating to the year	**1,742**	582
Closing equity shareholder's funds	**4,055**	278

Notes to the financial statements for the year ended 31 December 2013(continued)

16 Pensions

The company operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 8 January 2013 and an actuarial report was prepared at 1 July 2012 by a qualified independent actuary. The company made contributions of £1,074,000 (2012: £943,000) during the year to 31 December 2013. The company introduced a salary sacrifice arrangement from 1 July 2008 for members of the scheme. From 1 January 2009 to 30 June 2009 the company paid contributions at the rate of 21.3% of pensionable salaries. From 1 July 2009, the company paid contributions at the rate of either 19.8% of pensionable salaries or 24.8% of pensionable salaries, depending whether or not members opted to participate in the salary sacrifice arrangement. From 1 October 2011, the company paid contributions at the rate of either 18.1% of the pensionable salaries or 23.1% of pensionable salaries, depending whether or not members opted to participate in the salary sacrifice arrangement. Employee contributions are 5% of salary.

The scheme is closed to new entrants and the age profile of the active membership is increasing. As a result, under the projected unit method, the current service cost will increase as the members of the scheme approach retirement.

The major assumptions used by the actuary were (in nominal terms):

	At 31 December 2013	At 31 December 2012
Discount rate	4.4%	4.4%
Long-term rate of return on assets	-	5.6%
Salary increases	4.3%	3.7%
CPI 5 % pension increases	2.1%	2.2%
Inflation RPI	3.5%	2.9%
Inflation CPI	2.2%	2.1%
Mortality	**S1NA_L plus 1 year age rating, Year of birth projections with allowance for the CMI 2013 future improvement projections and a 1% long term improvement rate**	**S1NA_L plus 1 year age rating, Year of birth projections with allowance for the CMI 2012 future improvement projections and a 0.75% long term improvement rate**

Following the Government announcement that statutory inflation linking will in future be based on the CPI index, rather than RPI, for this year's disclosures the CPI assumption for future deferred pension revaluation has been used. For any increases to pensions in payment that have statutory inflation linked increases, in this year's disclosures the CPI measure as the basis for determining the assumed rate of pension increase shown above has been used

To develop the expected long-term rate of return on assets assumption, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the expected long-term rate of return assumption for the portfolio.

Mortality follows the standard table known as S1NA_L plus a one year age rating, with CMI 2013 mortality improvements with a 1% long term improvement rate. The mortality assumptions used at the previous year end followed the S1NA_L plus one year age rating table, with mortality improvements subject to a 0.75% minimum to the annual improvements

Notes to the financial statements for the year ended 31 December 2013(continued)

15 Pensions (continued)

	2013 Years	2012 Years
Male current pensioner	22.7	22.5
Male future pensioner	24.0	23.6
Female current pensioner	23.9	23.6
Female future pensioner	25.4	25.0

The assets, liabilities and resulting deficits in the defined benefit section of the scheme and the expected rates of return on the asset individual classes were:

	Long-term rate of return expected at 31 December					Value at 31 December				
	2013 %	2012 %	2011 %	2010 %	2009 %	**2013 £'000**	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Equities	7.1%	6.8%	6.9%	7.1%	7.9%	28,126	25,741	21,831	23,577	22,102
Bonds	3.6%	2.7%	4.0%	4.3%	4.6%	17,777	3,419	17,685	11,522	10,586
Other	0.5%	4.4%	0.5%	4.3%	4.5%	4,477	15,190	191	4,604	3,630
Total market value of assets						**50,378**	44,350	39,707	39,703	36,318
Present value of scheme liabilities						**(50,779)**	(47,946)	(44,661)	(40,203)	(38,379)
Related deferred tax asset (note 12)						**80**	827	1,239	135	577
Net pension liability						**(321)**	(2,769)	(3,715)	(365)	(1,484)

Market value is considered to be equivalent to the fair value of the assets which are valued at current mid price.

Analysis of the amount charged to profit and loss account

	2013 £'000	2012 £'000
Charged to operating profit		
Current service cost	**517**	446
Charged to other finance income		
Expected return on pension scheme assets	**(2,475)**	(2,206)
Interest on pension scheme liabilities	**2,093**	2,122
Total	**135**	362

Notes to the financial statements for the year ended 31 December 2013(continued)

15 Pensions (continued)

Reconciliation of present value of scheme liabilities

	2013 £'000	2012 £'000
1 January	**47,946**	44,661
Current service cost	**517**	446
Interest cost	**2,093**	2,122
Plan participant's contributions	**2**	3
Actuarial loss	**1,500**	2,514
Benefits paid	**(1,279)**	(1,800)
31 December	**50,779**	47,946

Reconciliation of fair value of scheme assets

	2013 £'000	2012 £'000
1 January	**44,350**	39,707
Expected return on scheme assets	**2,475**	2,206
Actuarial gain/(loss) on scheme assets	**3,687**	3,291
Employer contributions (inc employer direct benefit payments)	**1,143**	943
Plan participant's contributions	**2**	3
Benefits paid	**(1,279)**	(1,800)
31 December	**50,378**	44,350

Actual return on scheme assets

	2013 £'000	2012 £'000
Actual return on scheme assets	**6,162**	5,177

Notes to the financial statements for the year ended 31 December 2013(continued)

15 Pensions (continued)

History of experience gains and losses

	2013	2012	2011	2010	2009
Difference between expected and actual return on scheme assets:					
Amount (£'000)	**1,263**	2,971	(1,347)	2,206	2,864
Percentage of scheme assets	**7%**	7%	(3%)	6%	8%
Experience gains and losses on scheme liabilities:					
Amount (£'000)	**(362)**	0	40	(441)	(289)
Percentage of scheme liabilities	**(1%)**	0%	0%	(1%)	(1%)
Total amount recognised in statement of total recognised gains and losses:					
Amount (£'000)	**2,270**	778	(4,796)	1,060	(1,876)
Percentage of scheme liabilities	**6%**	1%	11%	(5%)	(5%)

Contributions

The company expects to contribute £1,232,000 to the scheme in 2014; this includes deficit recovery payments, contributions in respect of the salary sacrifice members and £200,000 to cover expected expenses incurred in the year.

Notes to the financial statements for the year ended 31 December 2013(continued)

16 Parent undertaking and ultimate controlling party

London Processing Centre Limited is a wholly owned subsidiary of Ins-sure Holdings Limited, a company incorporated in the United Kingdom. Ins-sure Holdings Limited is the parent company of the smallest group to consolidate these financial statements.

The ultimate parent company is Xchanging plc, a company incorporated in England and Wales. The results of London Processing Centre Limited are included in the Xchanging plc consolidated financial statements. Copies of the Ins-Sure Holdings Limited and Xchanging plc financial statements may be obtained from Xchanging plc, Walbrook Building, 25 Walbrook, London, EC4N 8AQ, United Kingdom. Xchanging plc is the parent company of the largest group to consolidate these financial statements.

17 Related party transactions

The company set out are considered to be related parties of the company.

The International Underwriting Association of London is a related party by virtue of a 25% interest in Ins-Sure Holdings Limited. The details of these are set out below.

Related Party	Services provided by the company	Revenue		Receivable	
		2013	2012	**2013**	2012
		£'000	£'000	**£'000**	£'000
International Underwriting Association of London	Property charges	**229**	318	**-**	-

The remaining companies are related parties because they all share the same ultimate controlling party, Xchanging plc. The companies concerned are; Xchanging UK Limited and Xchanging Procurement Services Limited.

A description of the nature of the services provided by/(to) the company and the amount receivable/(payable) in respect of each at 31 December 2013, are set out in the table below:

Services provided by/ (to) the company	Revenue/ (charge)		Receivable/ (payable)	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Royalty, secondees and other recharges	**1,093**	(904)	**1,094**	(899)

Notes to the financial statements for the year ended 31 December 2013(continued)

18 Operating lease commitments

	Land and buildings 2013 £'000	Land and buildings 2012 £'000
Annual commitments under non-cancellable operating leases expiring:		
Within one year	**427**	-
Within two to five years	**95**	1,113
After than five years	**-**	95
	522	1,208