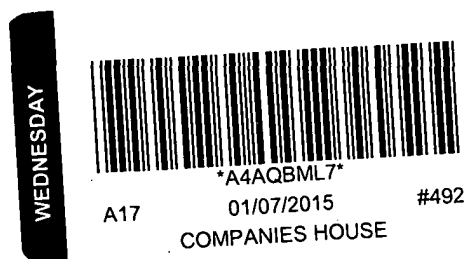


Registered number: 04011200

# **LCO NON-MARINE AND AVIATION LIMITED**

## **Annual report**

**for the year ended 31 December 2014**



# **LCO NON-MARINE AND AVIATION LIMITED**

## **Annual report for the year ended 31 December 2014**

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# **LCO NON-MARINE AND AVIATION LIMITED**

## **Directors and advisors**

### **Directors**

T A Bolt  
D Turner  
J Gregory – appointed 7 November 2014  
K Rainer – appointed 1 January 2015  
B J Hurst-Bannister – resigned 8 October 2014  
P Carson – resigned 7 November 2014  
P Bermingham – resigned 31 December 2014  
M Pell

### **Company secretary**

A Myburgh

### **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**

NatWest  
City of London Branch  
PO Box 12258  
1 Princes Street  
London  
EC2R 8PA

# LCO NON-MARINE AND AVIATION LIMITED

## Strategic Report for the year ended 31 December 2014

The directors present their strategic report for the year ended 31 December 2014.

### Review of business

In line with expectations, 2014 revenue from the Claims Agreement for Followers (CAF) component of Xchanging Claim Services (XCS's) core contract with Managing Agents decreased against prior year, with growth in our elective adjusting service offerings offsetting some of the revenue reductions. With CAF ending in 2014 this will reduce revenue in 2015.

During the year the turnover from continuing operations increased to £34,450,000 from £30,612,000, with profit for the financial year increasing to £7,233,000 from £6,758,000 as a result of growth in elective services. The financial position of the company remains strong.

The focus for 2015 will be to continue to grow our Elective Services business in the Lloyd's Market through refreshed and new product and service offerings.

### 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 Xchanging Claims Services Limited group (of which LCO Non-Marine and Aviation Limited is a part), is provided on page 2 of that group's strategic report.

### Key performance indicators (KPIs)

The directors of Xchanging Claims Services Limited manage the operations of Xchanging Claims Services Limited, LCO Marine Limited and LCO Non-Marine and Aviation 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 LCO Marine Limited. The development, performance and position of XCS group is discussed on page 3 of the Xchanging Claims Services Limited group's strategic report which does not form part of this report.

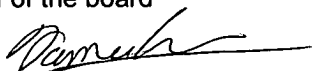
### Strategy and future developments

The business will continue to manage a number of key strategic initiatives led by the executive management team. These include but are not limited to:

- Work with Lloyd's and customers to assist them with the changing regulatory environment and promote choice;
- Develop services to meet the needs of the customer in a world of choice, whilst maintaining Core services where required;
- Explore new business development opportunities; and
- Improve operational efficiency and the quality of service to provide improved levels of customer service.

Operational control of the company has been exercised by Xchanging Claims Services Limited. The business has been developed under the Xchanging brand name.

On behalf of the board



J Gregory  
Director  
7 May 2015

# **LCO NON-MARINE AND AVIATION LIMITED**

## **Directors' report for the year ended 31 December 2014**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2014.

### **Principal activities**

The principal activity of LCO Non-Marine and Aviation Limited is the provision of claims handling and recoveries services to the Lloyd's market.

The results for the company show a profit on ordinary activity before taxation of £9,270,000 (2013: £9,048,000). The company has net assets of £7,541,000 (2013: £7,099,000).

### **Business environment**

The London Market continues to increase the volume of business underwritten and also to invest in the re-invention of its administration processes. In 2013 the remaining classes of business not already within Lloyd's Claims Transformation Program (CTP) were brought into it. As a result all electronic claims on policies incepting on or after 1 July 2013 are now being handled as CTP claims under the 2010 Claims Scheme. Over time, the number of Legacy claims (those which predate CTP changes) is gradually declining as the existing claims are settled and closed.

### **Future developments**

The business will continue to manage a number of key strategic initiatives led 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 8.

### **Financial risk management**

Given the size of the XCS group, the directors have not delegated the responsibilities of monitoring financial risk management to the individual companies' boards. The policies set by the board of directors are implemented by the XCS Group's finance department. The XCS 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. These are set out overleaf:

- (i) Foreign exchange risk  
The company has no overseas operations or foreign currency exposures.
- (ii) Interest rate risk  
The company has no interest bearing liabilities. The company does not use derivative financial instruments as exposure levels are not material.
- (iii) 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 Xchanging Claims Services to become non-exempt. Any resulting change is not expected to take effect before 2016. We continue to track these legislative developments, assess their likely impact and seek to mitigate.

# LCO NON-MARINE AND AVIATION LIMITED

## Directors' report for the year ended 31 December 2014 (continued)

### Financial risk management (continued)

#### (iv) 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 company's credit risk with customers is limited as around 88% of all revenue is collected monthly via Central Settlement, through the Lloyd's ARCS system which automatically debits the syndicates accounts and credits the company's. A weekly credit control review is in place for the remaining revenue.

#### (v) Liquidity risk

The company actively monitors that it has sufficient funds for operations and any planned expansions. The company does not currently make use of any financing arrangements but this will continually reviewed as the business develops and matures.

#### (vi) 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.

The principal risk facing the company is liquidity risk, but this is limited as reflected by the above comments.

### Results and dividends

The company's profit for the financial year was £7,233,000 (2013: £6,758,000).

During 2014, a dividend of £67.22 per share amounting to £6,722,000 was paid in respect of the final dividend declared for the year ended 31 December 2013 (2013: dividend of £138.00 per share amounting to £13,800,000 was paid in respect of the dividend declared for the year ended 31 December 2012).

### Directors

The directors who served throughout the year and held office at the date of signing the financial statements are detailed on page 1. B J Hurst-Bannister resigned as a director on 8 October 2014. P Carson resigned as a director on 7 November 2014. P Bermingham resigned as a director on 31 December 2014. J Gregory was appointed as a director on 7 November 2014. K Rainer was appointed as a director on 1 January 2015.

### 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.

# LCO NON-MARINE AND AVIATION LIMITED

## Directors' report for the year ended 31 December 2014 (continued)

### Disabled persons

It is the policy of the company to offer appropriate training and career development to disabled persons as far as possible that are identical to other employees, 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 offer opportunities for promotion.

### 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 company has also purchased and maintained throughout the year Directors' and Officers' liability insurance in respect of itself and its Directors.

### Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, directors' 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 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 company and of the profit or loss of the 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 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 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. 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.

### 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 the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- he/ she 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 auditor is aware of that information.

On behalf of the board



J Gregory  
Director  
7 May 2015

# **LCO NON-MARINE AND AVIATION LIMITED**

## **Independent auditors' report to the members of LCO NON-MARINE AND AVIATION LIMITED**

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

#### **Our opinion**

In our opinion, LCO Non-Marine and Aviation Limited's (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 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**

LCO Non-Marine and Aviation Limited's financial statements, comprise:

- the Balance sheet as at 31 December 2014;
- the Profit and loss account and the Statement of recognised gains and losses 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 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.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' 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.



# **LCO NON-MARINE AND AVIATION LIMITED**

## **Independent auditors' report to the members of LCO NON-MARINE AND AVIATION LIMITED (continued)**

### **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 set out on page 5, 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.

#### **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.

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Ian Benham (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
7 May 2015

# LCO NON-MARINE AND AVIATION LIMITED

## Profit and loss account for the year ended 31 December 2014

	Note	2014 £ '000	2013 £ '000
Turnover	2	34,450	30,612
Total operating costs	3	(25,160)	(21,566)
Total operating Profit		<u>9,290</u>	<u>9,046</u>
Interest receivable and similar income	6	52	51
Interest payable and similar charges	7	(72)	(49)
Profit on ordinary activities before taxation		<u>9,270</u>	<u>9,048</u>
Tax charge on profit on ordinary activities	8	(2,037)	(2,290)
Profit for the financial year		<u><u>7,233</u></u>	<u><u>6,758</u></u>

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

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

# LCO NON-MARINE AND AVIATION LIMITED

## Statement of total recognised gains and losses for the year ended 31 December 2014

	Note	2014 £ '000	2013 £ '000
Profit for the financial year		7,233	6,758
Actuarial loss on pension scheme	18	(97)	(138)
Movement on deferred tax relating to pension scheme	14	31	31
Movement on current tax relating to pension scheme		(9)	-
Total recognised gains relating to the year		<u>7,158</u>	<u>6,651</u>

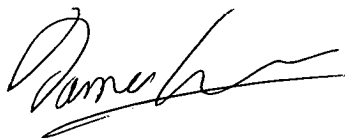
# LCO NON-MARINE AND AVIATION LIMITED

## Balance sheet as at 31 December 2014

	Note	2014 £ '000	2013 £ '000
Fixed assets			
Tangible assets	10	<u>701</u>	<u>-</u>
		701	-
Current assets			
Debtors: amounts falling due within one year	11	30,599	29,524
Cash at bank and in hand		<u>411</u>	<u>918</u>
		31,010	30,442
Creditors: amounts falling due within one year	12	<u>(23,975)</u>	<u>(23,219)</u>
Net current assets		<u>7,035</u>	<u>7,223</u>
Total asset less current liabilities		<u>7,736</u>	<u>7,223</u>
Creditors: amounts falling due after more than one year	13	<u>-</u>	<u>(40)</u>
Net assets excluding pension liability		<u>7,736</u>	<u>7,183</u>
Pension liability	18	<u>(195)</u>	<u>(84)</u>
Net assets including pension liability		<u>7,541</u>	<u>7,099</u>
Capital and reserves			
Called up share capital	15	100	100
Share premium account	16	278	278
Profit and loss account	16	<u>7,163</u>	<u>6,721</u>
Total shareholders' funds	17	<u>7,541</u>	<u>7,099</u>

The notes on pages 11 to 22 are an integral part of these financial statements.

The financial statements on pages 8 to 22 were approved by the board of directors on 7 May 2015 and were signed on its behalf by:



J Gregory  
Director

Registered number: 04011200

# LCO NON-MARINE AND AVIATION LIMITED

## Notes to the financial statements for the year ended 31 December 2014

### 1 Principal accounting policies

The financial statements are prepared on an ongoing 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 most significant accounting policies, which, unless otherwise stated, have been applied consistently with the prior year, is set out below.

#### Cash flow statement

The company is a wholly owned subsidiary of Xchanging plc and is included in the consolidated financial statements of Xchanging plc, 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, which is stated exclusive of value added tax, principally comprises amounts receivable for the provision of claims handling and recoveries services, charged on transactional and commission bases respectively. Turnover is recognised in the profit and loss account for the accounting year in which the insurance claim is processed or claim recovery is completed as appropriate. Turnover from additional services is recognised as earned.

#### Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the purchase price and the cost attributable to bring the asset to its working condition for its intended use.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Computer equipment	33%
Software development costs	longer of 20% or related life of contract

#### Tangible fixed assets – software development

Software costs are capitalised where they meet the criteria for recognition under SSAP 13. Where the criteria for capitalisation are not met, software development expenditure is expensed as incurred.

Subsequent expenditure undertaken to ensure that an asset maintains its previously assessed standard of performance, for example routine repairs and maintenance expenditure, is recognised in the profit and loss account as it is incurred. Where subsequent expenditure significantly enhances an asset, this is capitalised.

# **LCO NON-MARINE AND AVIATION LIMITED**

## **Notes to the financial statements for the year ended 31 December 2014 (continued)**

### **1 Principal accounting policies (continued)**

#### **Financial instruments**

The company does not trade in derivative financial instruments. Capital instruments that contain an obligation to transfer economic benefit are classified 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 is approximately equal to their book values.

#### **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.

#### **Operating leases**

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

#### **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 were updated at the year-end. 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.

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

#### **Related party transactions**

The company has taken advantage of the exemption available in FRS 8 not to disclose transactions with related parties that are 100% owned by the Xchanging Claims Services Limited group. All other related party transactions are disclosed in note 20.

# LCO NON-MARINE AND AVIATION LIMITED

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 2 Turnover

Turnover arises entirely from the company's activities in the United Kingdom, and is derived solely from the principal activity of the company.

### 3 Operating costs

	2014 £ '000	2013 £ '000
Staff costs:		
Wages and salaries	7,941	8,220
Social security costs	879	910
Other pension costs	534	506
Share option expense	6	27
	<u>9,360</u>	<u>9,663</u>
Other operating costs	<u>15,800</u>	<u>11,903</u>
	<u>25,160</u>	<u>21,566</u>

Operating costs include the following:

	2014 £ '000	2013 £ '000
Depreciation - owned assets	158	-
Intercompany recharges for property costs	<u>1,580</u>	<u>1,673</u>

In 2014 audit fees of £18,000 (2013: £18,000) were borne by Xchanging Claims Services Limited relating to the audit of its subsidiaries LCO Marine Limited and LCO Non-Marine and Aviation Limited. The fees were not recharged.

### 4 Directors' emoluments

The remuneration of the Directors is borne by Xchanging Claims Services 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:

	2014 Number	2013 Number
By activity:		
Service delivery	196	196
Administration	<u>1</u>	<u>1</u>
	<u>197</u>	<u>197</u>

# LCO NON-MARINE AND AVIATION LIMITED

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 6 Interest receivable and similar income

	2014 £ '000	2013 £ '000
Expected return on pension scheme assets	52	51
	<u>52</u>	<u>51</u>

### 7 Interest payable and similar charges

	2014 £ '000	2013 £ '000
Interest payable	8	2
Interest on pension scheme liabilities	64	47
	<u>72</u>	<u>49</u>

### 8 Tax on profit on ordinary activities

	2014 £ '000	2013 £ '000
Current tax:		
UK corporation tax on profits for the year	1,992	2,094
Adjustments in respect of prior years	(226)	435
Total current tax charge	<u>1,766</u>	<u>2,529</u>
Deferred tax:		
Changes in tax rate	(43)	(4)
Adjustments in respect of prior years	310	(266)
Origination and reversal of timing differences	4	31
Total deferred tax (note 14)	<u>271</u>	<u>(239)</u>
Tax on profit on ordinary activities	<u>2,037</u>	<u>2,290</u>

The tax assessed for the year is lower (2013: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2014 of 21.5% (2013: 23.25%). The differences are explained below.

	2014 £ '000	2013 £ '000
Profit on ordinary activities before taxation	<u>9,270</u>	<u>9,048</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	1,993	2,104
(Income)/ expenses not deductible for tax purposes	(1)	21
Capital allowances for the year in excess of depreciation	-	(31)
Adjustments in respect of prior years	(226)	435
	<u>1,766</u>	<u>2,529</u>



# LCO NON-MARINE AND AVIATION LIMITED

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 8. Tax on profit on ordinary activities (continued)

#### Factors affecting current and future tax charges

In addition to the changes in rates of Corporation tax disclosed above further changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2014 on 2 July 2014. 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.

### 9 Equity dividend paid

	2014 £' 000	2013 £' 000
£67.22 per share (2013: £138.00 per share)	6,722	13,800
	<u>6,722</u>	<u>13,800</u>

### 10 Tangible fixed assets

	Computer Equipment £'000	Software development costs £'000	Total £'000
Cost			
At 1 January 2014	56	-	56
Additions	15	115	130
Transfers from a fellow group company	-	729	729
At 31 December 2014	<u>71</u>	<u>844</u>	<u>915</u>
Accumulated depreciation			
At 1 January 2014	56	-	56
Charge for the year	3	155	158
At 31 December 2014	<u>59</u>	<u>155</u>	<u>214</u>
Net book value			
At 31 December 2014	<u>12</u>	<u>689</u>	<u>701</u>
At 31 December 2013	<u>-</u>	<u>-</u>	<u>-</u>

# LCO NON-MARINE AND AVIATION LIMITED

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 11 Debtors: amounts falling due within one year

	2014 £ '000	2013 £ '000
Trade debtors	21	10
Amounts owed by group undertakings	30,457	29,196
Other debtors	12	43
Prepayments and accrued income	105	3
Deferred taxation (Note 14)	-	-
	<u>30,595</u>	<u>29,252</u>

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

### 12 Creditors: amounts falling due within one year

	2014 £ '000	2013 £ '000
Trade creditors	3	3
Amounts owed to group undertakings	19,377	20,822
Corporation tax	3,481	1,718
Other creditors	-	1
Other taxation & social security	384	448
Accruals and deferred income	730	227
	<u>23,975</u>	<u>23,219</u>

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

### Creditors: Amounts falling due after more than one year

	2014 £ '000	2013 £ '000
Accruals and deferred income	-	40
	<u>-</u>	<u>40</u>

# LCO NON-MARINE AND AVIATION LIMITED

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 13 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20% (2013: 20%) for differences arising in the UK.

The movements in deferred tax assets are shown below:

	2014 £' 000	2013 £' 000
At 1 January	293	23
Charged/(credited) to the profit and loss account	(271)	239
Deferred tax through the statement of recognised gains and losses with respect to the pension scheme	31	31
At 31 December	<u>53</u>	<u>293</u>
Accelerated capital allowances	65	38
Other timing differences	(61)	234
Deferred tax asset (excluding pensions)	4	272
Pensions	49	21
Deferred tax asset (including pensions)	<u>53</u>	<u>293</u>

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.

### 14 Called up share capital

	2014 £' 000	2013 £' 000
Allotted and fully paid		
100,000 (2013: 100,000) ordinary shares of £1 each	<u>100</u>	<u>100</u>
	<u>100</u>	<u>100</u>

### 15 Reserves

	Share premium account £' 000	Profit and Loss account £' 000
At January 2014	278	6,721
Profit for the financial year	-	7,233
Dividends paid	-	(6,722)
Actuarial losses net of tax	-	(75)
Share options	-	6
At December 2014	<u>278</u>	<u>7,163</u>

# LCO NON-MARINE AND AVIATION LIMITED

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 16 Reconciliation of movements in shareholders' funds

	2014 £' 000	2013 £' 000
Opening shareholders' funds	7,099	14,221
Profit for the financial year	7,233	6,758
Dividends paid	(6,722)	(13,800)
Actuarial losses net of tax	(75)	(107)
Share options	6	27
Closing shareholders' funds	<u>7,541</u>	<u>7,099</u>

### 17 Pensions

The company participates in a sectionalised multi-employer defined benefit pension scheme in the UK which was established at 1 July 2007. A full valuation of the pension scheme was carried out as at 1 July 2011 by a qualified independent actuary. An actuarial report was last prepared on 1 July 2012. The actuary has identified that part of the assets and liabilities that relate to the Company. Contributions are payable to the pension scheme by members (at the rate of 5% of salary) and by the company (at the rate of 23.5% of salary). The company contributed £199,000 to the scheme over the year (2013: £202,000). 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 following figures have been prepared in compliance with FRS 17 "Retirement benefits":

	At 31 December 2014	At 31 December 2013
Rate of increase in salaries	3.90%	4.30%
Pension increases	1.90%	2.10%
Discount rate	3.60%	4.40%
Inflation assumption	3.10%	3.50%

Mortality tables follow the S1PMA/S1PFA base table with year of birth projections, with an allowance for the CMI 2014 future improvement projections with a 1% p.a. long-term trend rate. The mortality assumptions used at the previous year end followed the PNA00 table, using 110% of the base table with medium cohort mortality improvements subject to a 1% minimum to the annual improvements.

	2014 years	2013 years	2012 years	2011 years
For a male aged 65	22.1	22.2	22.1	22.0
At 65 for a male member aged 45	23.3	23.6	23.1	23.0
For a female aged 65	24.3	24.2	24.1	23.8
At 65 for a female member aged 45	25.8	25.6	25.2	25.0

# LCO NON-MARINE AND AVIATION LIMITED

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 18. Pensions (continued)

The expected rates of return and the market value of the assets of the pension scheme related to members and former members of the company were:

	Long-term rate of return expected at 31 December					Value at 31 December				
	2014 %	2013 %	2012 %	2011 %	2010 %	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Equities	5.90%	7.10%	7.15%	7.25%	7.70%	393	308	250	178	128
Bonds	2.40%	3.60%	2.70%	3.50%	5.10%	1,246	921	739	531	384
Other	0.50%	0.50%	0.50%	0.50%	0.50%	10	1	3	4	-
<b>Total market value of assets</b>						<b>1,649</b>	<b>1,230</b>	<b>992</b>	<b>713</b>	<b>512</b>
Present value of scheme liabilities						(1,893)	(1,335)	(961)	(684)	(435)
Related deferred tax asset/(liability) (Note 14)						49	21	(7)	(7)	(22)
<b>Net pension (deficit)/surplus</b>						<b>(195)</b>	<b>(84)</b>	<b>24</b>	<b>22</b>	<b>55</b>

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

#### Analysis of the amounts charged to profit and loss account

	2014 £'000	2013 £'000
Charged to operating profit		
Current service costs	229	204
Charged to Interest receivable and similar income		
Expected return on pension scheme assets	(52)	(51)
Charged to interest payable and similar charges		
Interest on pension scheme liabilities	64	47
<b>Total</b>	<b>241</b>	<b>200</b>

#### Analysis of the amounts recognised in the statement of total recognised gains and losses:

	2014 £'000	2013 £'000
Actual return less expected return on assets	168 (10%)	(15) (1%)
Experience losses on the liabilities	- (-%)	- (-%)
Change in assumptions	(265) (14%)	(123) (10%)
<b>Actuarial loss recognised in statement of total recognised gains and losses</b>	<b>(97)</b>	<b>(138)</b>

# LCO NON-MARINE AND AVIATION LIMITED

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 18. Pensions (continued)

Movement in deficit during the year:

	2014 £'000	2013 £'000
(Deficit)/ surplus at beginning of the year	(105)	31
Movement in the year:		
- Current service cost	(229)	(204)
- Employer contributions received	199	202
- Interest on pension scheme liabilities	(12)	4
- Actuarial loss	(97)	(138)
Deficit at the end of the year	<u>(244)</u>	<u>(105)</u>

### Reconciliation of present value of scheme liabilities

	2014 £'000	2013 £'000
1 January	1,335	961
Current service cost	229	204
Interest cost	64	47
Actuarial loss	265	123
31 December	<u>1,893</u>	<u>1,335</u>

### Reconciliation of fair value of scheme assets

	2014 £'000	2013 £'000
1 January	1,230	992
Expected return on scheme assets	52	51
Actuarial gain/ (loss) on scheme assets	168	(15)
Employer contributions (employer direct benefit payments)	199	202
31 December	<u>1,649</u>	<u>1,230</u>

# LCO NON-MARINE AND AVIATION LIMITED

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 18. Pensions (continued)

#### History of experience gains and losses:

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Difference between the actual and expected return on assets	168	(15)	45	(1)	(4)
Experience (losses) / gains on liabilities	-	-	(31)	(15)	-
Total amount recognised in statement of total recognised gains and losses	(97)	(138)	(42)	(83)	(46)

#### Contributions by scheme participants:

	2014 £'000	2013 £'000
Contributions	<u>199</u>	<u>202</u>

The company expects to contribute £186,000 to the scheme in 2015.

The company also participates in a defined contribution scheme run for the employees of Xchanging UK Limited. Contributions charged against the profit for the year were £305,000 (2013: £302,000). There were Nil outstanding contributions at the balance sheet date (2013: £Nil).

### 19 Parent undertaking and ultimate controlling party

LCO Non-Marine and Aviation Limited is a wholly owned subsidiary of Xchanging Claims Services Limited, a company incorporated in England and Wales. Xchanging Claims Services Limited is the parent company of the smallest group to consolidate these financial statements. Copies of which may be obtained from Xchanging plc, The Walbrook Building, 25 Walbrook, London, EC4N 8AQ.

The ultimate parent undertaking and controlling party is Xchanging plc, a company incorporated in England and Wales. The results of LCO Non-Marine and Aviation Limited are included in the Xchanging plc consolidated financial statements; copies of which may be obtained from Xchanging plc, The Walbrook Building, 25 Walbrook, London, EC4N 8AQ, United Kingdom. Xchanging plc is the parent company of the largest group to consolidate these financial statements.

# LCO NON-MARINE AND AVIATION LIMITED

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 20 Related party transactions

The Corporation of Lloyd's is a related party by virtue of a 50% interest in Xchanging Claims Services Limited, the immediate parent of LCO Non-Marine and Aviation Limited. During 2014, £16,720 was charged by Lloyd's to the company in relation to IT infrastructure, premises, accounting and administration, and other services (2013: £19,850). As at 31 December 2014, £1,084 was owed to Lloyd's in respect of these services (2013: £1,160).

The remaining companies are related parties because they all share the same ultimate controlling party, Xchanging plc. The companies concerned are; Xchanging UK Limited, Xchanging Ins-sure Services Limited Group, Xchanging Procurement Services Limited, Xchanging HR Services Limited, Xchanging Resourcing Services Limited, Xchanging Global Insurance Solutions Limited, Xchanging Insurance Professional Services Limited, Xchanging Advisory Services Limited, Ferguson Snell and Associates Limited, Xchanging Broking Services Limited, Xchanging Technology Services India Private, Xchanging Integrated Services Australia, Xchanging Inc and Xchange Limited.

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

Services provided by/(to) the company	Revenue/(charge)		Receivable/(payable)	
	2014 £' 000	2013 £' 000	2014 £' 000	2013 £' 000
IT infrastructure, IT support, IT systems, accounting & administration, and other services in support of operating activities	(531)	(1,541)	-	(1,593)
Licence fee	(1,722)	-	(1,722)	-
Seconded and other recharges	(76)	-	(27)	-