

Registered number: 1211673

LOCKTON COMPANIES INTERNATIONAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2013



LOCKTON COMPANIES INTERNATIONAL LIMITED

COMPANY INFORMATION

Directors	M Frost D Gee M Hammond D Whitewood
Company secretary	S Jeffs
Registered number	1211673
Registered office	The St Botolph Building 138 Houndsditch London EC3A 7AG
Independent auditors	KPMG Audit Plc 15 Canada Square London E14 5GL

LOCKTON COMPANIES INTERNATIONAL LIMITED

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LOCKTON COMPANIES INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2013

The directors present their report and the financial statements for the year ended 30 April 2013

Principal activities

The principal activities of the Company was that of an intermediate holding company within the Lockton group of companies and being a Designated Member of Lockton Companies LLP ('LC LLP') LC LLP is a limited liability partnership of which the Company and Salisbury Insurance Brokers Limited are the Designated Members The principal activity of the Lockton Company LLP is insurance broking In the opinion of the directors the results for the year and the state of the Company's affairs at the year end were satisfactory It is intended that the Company will continue in its present capacity as an intermediate holding company and Designated Member of LC LLP in the coming year

Business review

The profit for the year, after taxation, amounted to £5,348,629 (2012 £3,656,324)

A dividend of £5,000,000 was paid during the current financial year (2012 NIL)

The Company is the corporate member of LC LLP Profit distribution from LC LLP is recognised when the right to receive the profit allocation is established This is established when LC LLP's profits are divided by a decision taken by the Remuneration Committee of LC LLP

The Company's share of profits from LC LLP for the year ended 30 April 2013 are not determined until after the year end and accordingly will be recognised in the 2014 accounts of the Company An amount of £6,445,081 (2012 £5,118,747) was recognised in this year in respect of profits allocated for the year ended 30 April 2012 during June 2012

As at 30 April 2013 the Company balance sheet shows net current assets of £2,851,588 (2012 £1,882,910) and net assets of £28,468,596 (2011 £ 28,119,967)

To further support growth, the Lockton Group entered into an enlarged Lloyds Bank credit facility in April 2013

Directors

The directors who served during the year were

M Frost

D Gee

M Hammond

J James (resigned 31 January 2013)

D Whitewood

Post balance sheet events

On 18 June 2013 the Remuneration Committee of LC LLP approved the allocation of the share of LC LLP's profit to it's individual members of £8,240,481 and to the Company of £7,956,432

LOCKTON COMPANIES INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2013

Principal risks and uncertainties

Overview

As the corporate member of LC LLP, the majority of the risks affecting this Company relate to its participation in the results of the LLP. As detailed below, these risks are mostly managed by the LLP. The Company's own role in managing this risk is limited to the performance monitoring of the LLP.

Investment in subsidiaries risk

A principal risk of this holding Company is the trading performance of its subsidiaries. Trading performance in subsidiaries could create the need for impairment leading to a reduction in net assets and distributable reserves of the Company. Each subsidiary sets performance targets for the year ahead and performance is reviewed regularly against these targets. Reasons for under performance are monitored and mitigating actions are taken. Investments are reviewed for impairment to ensure the appropriate carrying value for each investment in the holding company accounts.

Legal and regulatory risk

The LLP is exposed to various actual and potential claims, lawsuits and other proceedings relating to alleged errors and omissions, or non-compliance with laws and regulations including those dictated by the FCA, in the conduct of its ordinary course of business. This covers a number of risks, varying from the ability for systems and procedures to be changed in response to regulatory changes made by the FCA, the safeguarding of client money and the monitoring of solvency to satisfy FCA rules. The designated members are satisfied based on present information that the LLP has appropriate arrangements in place to manage these risks including assessed probability of claims and has adequate insurance programmes and provisions in place to meet such claims. However, like all businesses of similar type, the risk exists that significant adverse developments in past claims, or a significant increase in the frequency or severity of future claims for errors and omissions, could have a material effect on the LLP's reported results.

Financial risk

The LLP is exposed to financial risk through its financial assets and financial liabilities. The components of the financial risk are market, currency, credit, liquidity and interest rate risk. The extent of the exposure to each of these components varies depending on the specific financial instrument.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate, principally as a result of changes in equity market conditions, interest rates and foreign currency exchange rates. There is no direct market risk exposure to the LLP in respect of assets relating to insurance operations as these assets are matched to corresponding policyholder or cell-owner liabilities. Cash holdings are not directly exposed to market risk however market risk can impact the value of current asset investments, therefore these investments are regularly monitored and managed.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument or the quantum of the future income derived from a foreign source, will fluctuate resulting from changes in foreign exchange rates. The LLP was exposed to foreign currency risk arising from various currency exposures. In particular, the London-based wholesale insurance broking business had a Sterling cost base, but derives a significant proportion of its insurance broking income in US dollars. During the year there was a policy of forward selling a proportion of the anticipated US dollar brokerage on a rolling 12-month basis. This mitigated the effect of fluctuations in the Sterling/US dollar exchange rate on the LLP's earnings. A portion of the group's loan facilities were denominated in US Dollars to mitigate foreign currency exposure against US Dollar denominated trade receivables of the LLP.

During the year the LLP had a policy of forward selling the US Dollar denominated brokerage income of the UK business on a rolling 12-month basis. The policy has been established to limit the variability in cash flows and profits arising from fluctuations between the US Dollar and Sterling on brokerage income earned by the LLP's business.

LOCKTON COMPANIES INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2013

Credit risk

Credit risk is the risk that a counter party to a financial transaction will be unable to pay amounts in full when due

Credit risk of insurers and clients

To minimise credit risk the LLP's business had a general policy of not funding payment of claims on behalf of insurers or payment of premiums on behalf of the clients. However, the LLP had established a strict authorisation policy whereby management may in certain circumstances authorise funding. Consequently, there is not significant exposure to credit risk deriving from insurers and clients in this respect. At the same time, the LLP monitored the financial condition of insurers and reinsurers on an ongoing basis. The LLP has a Market Security and Underwriting Committee that evaluates, approves and monitors both insurance and reinsurance markets of the group companies conducting insurance operations and reports back to the LLP with recommendations accordingly. Such Committee decisions are supported by both local and international professional rating agencies data and the involvement of the insurance regulatory bodies in United Kingdom (namely the Financial Conduct Authority), Global Credit Rating Companies and legal opinion and other professional advice is sought, where necessary.

Other credit risks

Cash is held by high credit quality financial institutions. There are no significant concentrations of credit risk in respect of other receivables reflected in the LLP's balance sheet.

Liquidity risk

Liquidity risk management implies maintaining sufficient cash and ensuring the availability of funding through an adequate amount of cash resources and credit facilities. The LLP has approved a formal treasury policy and procedures manual to closely monitor approved banks, concentration risk and management of cash balances, which includes the Client Money Resource test. This test represents both a requirement by the LLP's regulator and a process of cash flow monitoring. Further, the LLP has a funding policy as described under the credit risk section above. The funding requirements and cash flows of the Company are closely and regularly monitored.

Interest rate risk

The LLP's income and operating cash flows were substantially independent of changes in market interest rates, except for interest income on cash balances, which is sensitive to short-term interest rates.

Operational risk

Operational risk is the risk of loss due to factors such as inadequate systems, management failure, inadequate internal controls, fraud or human error. The LLP mitigates these risks through the EWRM framework, systems of internal controls, internal audit and compliance functions and other measures such as back-up procedures, contingency planning and insurance.

Defined benefit pension scheme

The Company has an ongoing commitment together with the LLP and LIGS Limited to fund the UK Groups' defined benefit pension scheme. Future changes in the underlying valuation of the scheme's assets and liabilities could impact the level of future funding required. To mitigate part of this risk the Trustees of the scheme entered into a pension buy in arrangement with a third party to insure a substantial part of the scheme's liabilities.

LOCKTON COMPANIES INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2013

Key Performance indicators

As the Corporate Member of LC LLP the KPI's will be those of the LC LLP and are as follows

	Year ended 2013	Year ended 2012
Turnover & operating income growth rate in %	5%	5%
-(excluding discontinued and transferred operations)		
Turnover & operating income growth in £'s	£5,698,326	£5,771,064
-(excluding discontinued and transferred operations)		
Net profit margin after members remuneration against turnover	15%	13%
- (excluding exceptional items)		

Going concern

The directors consider that it remains appropriate to prepare that financial statements on a going concern basis. The rationale for this decision is provided in the Accounting Policies - Basis of preparation of financial statements note 1.1 within the accounts.

Provision of information to auditors

Each of the directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

LOCKTON COMPANIES INTERNATIONAL LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 APRIL 2013**

Statement of directors' responsibilities in respect of the directors report and the financial statements

The directors are responsible for preparing the 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 elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 judgments 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,
- 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.

Auditors

The auditors, KPMG Audit Plc, will be proposed for reappointment in accordance with section 487(2) of the Companies Act 2006.

This report was approved by the directors on 28 June 2013 and signed on its behalf


S Jeffs
Company secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCKTON COMPANIES INTERNATIONAL LIMITED

We have audited the financial statements of Lockton Companies International Limited for the year ended 30 April 2013, set out on pages 7 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities Statement 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 April 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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, or
- certain disclosures of remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or


Mark Taylor (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
15 Canada Square
London
E14 5GL

28 June 2013

LOCKTON COMPANIES INTERNATIONAL LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 APRIL 2013**

	Note	2013 £	2012 £
Administrative expenses	2	(1,355,817)	(764,501)
Other operating income	3	709	-
OPERATING LOSS		(1,355,108)	(764,501)
Income from other fixed asset investments	4	6,445,081	5,118,747
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		5,089,973	4,354,246
Interest receivable and similar income	7	-	1
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	5,089,973	4,354,247
Tax on profit on ordinary activities	8	258,656	(697,923)
PROFIT FOR THE FINANCIAL YEAR	13	5,348,629	3,656,324

All amounts relate to continuing operations

There were no recognised gains and losses for 2013 or 2012 other than those included in the Profit and loss account

The notes on pages 9 to 18 form part of these financial statements

LOCKTON COMPANIES INTERNATIONAL LIMITED
REGISTERED NUMBER 1211673

BALANCE SHEET
AS AT 30 APRIL 2013

	Note	£	2013 £	£	2012 £
FIXED ASSETS					
Investments	9		25,617,008		26,237,057
CURRENT ASSETS					
Debtors	10	4,235,112		2,665,324	
Cash at bank		2,128		245,757	
		<u>4,237,240</u>		<u>2,911,081</u>	
CREDITORS: amounts falling due within one year	11	<u>(1,385,652)</u>		<u>(1,028,171)</u>	
NET CURRENT ASSETS			<u>2,851,588</u>		<u>1,882,910</u>
NET ASSETS			<u>28,468,596</u>		<u>28,119,967</u>
CAPITAL AND RESERVES					
Called up share capital	12		4,000,001		4,000,001
Share premium account	13		9,999,999		9,999,999
Profit and loss account	13		<u>14,468,596</u>		<u>14,119,967</u>
SHAREHOLDERS' FUNDS	14		<u>28,468,596</u>		<u>28,119,967</u>

The financial statements were approved and authorised for issue by the directors and were signed on its behalf on 28 June 2013



D Whitewood
Director

The notes on pages 9 to 18 form part of these financial statements

LOCKTON COMPANIES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2013

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Companies Act 2006 and applicable accounting standards

The directors consider the going concern basis to be appropriate for the following reasons -

The directors have reviewed relevant budget and cash flow forecasts for a period of not less than 12 months from the date of approving these financial statements and are satisfied that the company will have sufficient resources available to meet liabilities as they fall due

As part of the review undertaken the directors have taken into account the funding that has been made available to the Company from parent undertakings and from the group's credit facility with Lloyds and the intention of these parties to continue to make funding available

Intra-group creditors comprise a significant proportion of creditors and an agreement has been made between major Lockton Group companies that no intra-group creditors may take action to cause any intra-group financial indebtedness of any group undertaking to become due or to be paid unless the group undertaking has sufficient readily available cash to pay the sum which is due or demanded

The directors therefore consider that it remains appropriate to prepare the financial statements on a going concern basis

Under section 400 of the Companies Act 2006, the Company has claimed the exemption to not prepare consolidated accounts as the Company is a wholly-owned subsidiary of LIH UK Topco Limited, a company registered in England & Wales, for which consolidated accounts are prepared, within which the Company is included

1.2 Cash flow

The Company is exempt from producing a cash flow statement under Financial Reporting Standard 1 (revised) as more than 90% of the voting rights are owned by a parent undertaking (LIH UK Topco Limited) and the results of the Company are included in the consolidated accounts that are publicly available

1.3 Fixed asset investments

Investments held as fixed assets are shown at cost less provision for impairment

Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost or recoverable amount. Recoverable amount is the higher of its net realisable value and its value in use

LOCKTON COMPANIES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2013

1. ACCOUNTING POLICIES (continued)

1.4 Taxation

The charge of taxation is based on the results of the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.5 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the Profit and loss account

1.6 Provisions for liabilities and charges

A provision is recognised where there is a present obligation (legal or constructive) as a result of a past event, and it is probable that a transfer of economic benefit will be required to settle that obligation, and a reliable estimate can be made

1.7 Income from investments in LLP

The Company is the corporate member of LC LLP. Profit distribution from LC LLP is recognised when the right to receive the profit allocation is established. This is established when LC LLP's profits are allocated by a decision taken by the remuneration committee of LC LLP.

At the year end, for taxation purposes, the Company estimates its tax payable on the profit allocation based on its best estimate of its expected share of LC LLP's profit allocation. A deferred tax asset is recognised against this provision as it is expected to reverse when profits are distributed to the Company in subsequent periods.

LOCKTON COMPANIES INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2013**

1. ACCOUNTING POLICIES (continued)

1.8 Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid
Final dividends on these shares are recognised in equity when they have been approved by shareholders

2 ADMINISTRATIVE EXPENSES

Administrative expenses includes an amount of £1,355,818 (2012 £737,187) relating to the impairment of Lockton Companies (Shanghai) Insurance Brokers Limited Tax on this item is nil

3. OTHER OPERATING INCOME

	2013 £	2012 £
Other operating income	709	-

4. INCOME FROM OTHER FIXED ASSET INVESTMENTS

	2013 £	2012 £
Distribution of profit share from LC LLP	6,445,081	5,118,747

5 PROFIT ON ORDINARY ACTIVITIES

The audit fees for the current period, which amounted to £9,500 (2012 £7,000) were borne by a fellow group undertaking

6. EMOLUMENTS OF DIRECTORS

During the period under review Messrs Gee, Hammond and Frost were also directors of Lockton International Holdings Limited Mr Frost was also a director of LIH UK Topco Limited Mr Whitewood and Hammond are individual members of LC LLP and were entitled to minimum drawings and may receive a discretionary share of profit of LC LLP Details of their remuneration are disclosed in the financial statements of those companies No director received any remuneration for services as a director to this Company

7. INTEREST RECEIVABLE

	2013 £	2012 £
Investment income	-	1

LOCKTON COMPANIES INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2013**

8. TAXATION

	2013 £	2012 £
Analysis of tax charge in the year		
Current tax	-	-
Deferred tax		
Current period	(337,094)	280,964
Adjustments to tax in respect of prior periods	78,438	262,601
Effect of change in UK corporation tax rate	-	154,358
Total deferred tax	(258,656)	697,923
Tax charge on profit/loss on ordinary activities	(258,656)	697,923

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2012 - *higher than*) the standard rate of corporation tax in the UK of 23.92% (2012 - 25.83%). The differences are explained below

	2013 £	2012 £
Profit on ordinary activities before tax	5,089,973	4,354,247
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25.83% (2012 - 25.83%)	1,217,521	1,124,702
Effects of:		
Non-tax deductible expenses	186,887	192,347
Utilisation of tax losses	-	(671,352)
Other assessable expense	30,843	(1,629)
Group relief claimed	(1,772,345)	(1,013,032)
Net movement in LC LLP profit available for allocation timing difference	337,094	368,964
Current tax credit for the year (see note above)	-	-

Factors that may affect future tax charges

On 21 March 2012 the Chancellor announced the reduction in the main rate of UK corporation tax to 23 per cent with effect from 1 April 2013. This change became substantively enacted on July 2012 and therefore the effect of the rate reduction creates a reduction in the deferred tax asset which has been included in the figures above.

In the March 2013 budget, the Chancellor also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 20 per cent by 1 April 2015, but these changes have not yet been substantively enacted and therefore are not included in the figures above. The overall effect of the further reductions from 26 per cent to 20 per cent, if these applied to the deferred tax balance at 30 April 2013, would be to further reduce the deferred tax asset by approximately £238,693.

LOCKTON COMPANIES INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2013**

9. FIXED ASSET INVESTMENTS

The Company's fixed asset investments are set out below

	£
Cost	
At 1 May 2012	26,237,057
Additions	735,769
Amounts written off	(1,355,818)
	<u>25,617,008</u>
At 30 April 2013	<u>25,617,008</u>
Net book value at 30 April 2012	<u>26,237,057</u>
Net book value at 30 April 2013	<u><u>25,617,008</u></u>

In June 2012 the Remuneration Committee of LC LLP approved the allocation of the share of profit £6,445,081 (2011 £5,118,747) for distribution to the Company as the Company is the corporate member of LC LLP

In June 2012 the Company injected additional capital of RMB 7,300,000 (£735,769) in Lockton Companies (Shanghai) Insurance Brokers Limited

Following a review of the carrying value of investments, the directors impaired the investment in Lockton Companies (Shanghai) Insurance Brokers Limited by RMB 13,049,259 (£1,355,818)

The Company's investments are in the following companies

SUBSIDIARIES INSURANCE BROKING AND INTERMEDIARY COMPANIES	Country of Incorporation and registration	Percentage of ordinary share capital held/equity capital
Lockton Companies (Shanghai) Insurance Brokers Limited	People's Republic of China	100%
Lockton Companies LLP	England & Wales	100%
Lockton Re LP	USA	50%
Lockton Companies AS	Norway	100%

In the opinion of the directors, the individual value of the above assets consisting of shares in the Company's subsidiary is not less than the individual amounts at which those assets are stated in the Company's balance sheet

LOCKTON COMPANIES INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2013**

10. DEBTORS

	2013 £	2012 £
Amounts owed by group undertakings	2,305,343	920,365
Other debtors	99,790	173,636
Deferred tax asset *	1,829,979	1,571,323
	<u>4,235,112</u>	<u>2,665,324</u>

***Deferred tax asset**

	2013 £	2012 £
LC LLP profit available for allocation	1,829,979	1,571,323
Total deferred tax asset	<u>1,829,979</u>	<u>1,571,323</u>
Deferred tax asset at 1 May 2012	1,571,323	2,269,246
Deferred tax credit recognised in the year	258,656	(697,923)
Deferred tax asset at 30 April 2013	<u>1,829,979</u>	<u>1,571,323</u>

11. CREDITORS: Amounts falling due within one year

	2013 £	2012 £
Amounts owed to group undertakings	<u>1,385,652</u>	<u>1,028,171</u>

12. SHARE CAPITAL

	2013 £	2012 £
Allotted, called up and fully paid		
4,000,001 Ordinary shares of £1 each	<u>4,000,001</u>	<u>4,000,001</u>

13. RESERVES

	Share premium account £	Profit and loss account £
At 1 May 2012	9,999,999	14,119,967
Profit for the year	-	5,348,629
Dividends paid (125p per share)	-	(5,000,000)
At 30 April 2013	<u>9,999,999</u>	<u>14,468,596</u>

LOCKTON COMPANIES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2013

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2013 £	2012 £
Opening shareholders' funds	28,119,967	24,463,643
Profit for the year	5,348,629	3,656,324
Dividends paid (125p per share)	(5,000,000)	-
Closing shareholders' funds	<u>28,468,596</u>	<u>28,119,967</u>

LOCKTON COMPANIES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2013

15. CONTINGENT LIABILITIES

Credit facility

Pursuant to Lockton International Holdings Limited (LIHL), a group subsidiary, entering into a new £32,500,000 Credit Facility Agreement with Lloyds Banking Group in April 2013, LIHL, LC LLP, LIGS Limited, the Company, Lockton UK Limited, LIH UK Topco Limited, Lockton International Limited and Lockton Overseas Limited (subsidiaries) have given first fixed and floating charges over their assets and shares they own in other Group companies as security for the payment of all liabilities arising from the credit facility to Lloyds Banking Group. The credit facility consists of a five year £20,000,000 term loan, a three year £10,000,000 revolving credit facility and an annually renewable £2,500,000 overdraft facility. As at 30 April 2013 the amount drawn down on the Lloyds Banking Group credit facility was £20,000,000 (2012 under the previous LC LLP £20,000,000 facility with Lloyds £9,250,000 was drawn as at April 2012).

In relation to the guarantees given for the new facility, the aggregate liabilities of LC LLP and LCIL are limited to a maximum of £20,000,000 plus accrued interest and other amounts e.g. fees due under the Finance documents.

Pension guarantees

The Company together with LC LLP and LIGS Limited has agreed with the Trustee of the Nelson Hurst Pension Scheme 4 (the "Scheme") to make the payment of pension contributions equal to 25.3% of pensionable salaries for the scheme members per annum. The Company and LC LLP has also agreed to meet Pension Protection Fund levy payments and additional contributions relating to early retirement on enhanced terms, ill health early retirements, costs arising in the Scheme in respect of benefit augmentations and increases in pensionable remuneration in excess of 5% per annum. In addition, the cost arising for the then active members of the Scheme from cumulative pensionable salary increases from 1 May 2008 exceeding the lower of the increase in the Retail price indexation and 5% over the corresponding period.

Covenant obligations have been established on the Company, LC LLP and LIGS Limited which if breached and not rectified within 30 days following a request from the Trustee to do so requires the Company, LC LLP and LIGS Limited to fund the total future outstanding sums in respect of the scheme's funding deficit calculated on the scheme specific basis at the date of the last valuation. In May 2011 a guarantee was signed by the Company and LC LLP which provides for funding on a buy out basis if there is a event of default which has not been remedied in accordance with the provisions of the guarantee.

The Company together with LC LLP and LIGS Limited has undertaken to pay amounts stated within a funding plan agreed with the Trustees, in addition to the usual contributions special contributions of £4.25m in 2012/13, £4.5m in 2013/14, £4.75m in 2014/15 and £5m in 2015/16 have been agreed. In the event that LIGS Limited ("the Employer") fails to make a due payment to the Scheme, the Company and LC LLP have agreed to make such payment within 5 days of receiving a demand from the Trustee of the Scheme for payment. If the Company and LC LLP have failed to make a due payment after receiving a notice (this is considered a breach for purposes of the guarantee) or if the Trustee has provided 5 days notice that the Scheme has commenced winding up, or if there is an event of default, the Company and LC LLP are required to make an immediate payment equal to the estimated buyout deficit, which will subsequently be increased to the actual buyout basis deficit if higher.

Covenant obligations have been established which if breached and not rectified following a request from the Trustee to do so require the Company and LC LLP to fund the total future outstanding sums in respect of the Scheme's funding deficit calculated on the scheme specific basis at the date of the last valuation.

The surplus of the Scheme, on an FRS17 basis, at 30 April 2013 was £2,050,000 then subsequently derecognised as the scheme is closed to future accrual (2012 £5,700,000 surplus – also not recognised).