Registered number: 1211673

LOCKTON COMPANIES INTERNATIONAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2019

LOCKTON COMPANIES INTERNATIONAL LIMITED

INFORMATION

DIRECTORS	C M Brown D J Gee W W Humphrey III N K Nimmo
COMPANY SECRETARY	S Jeffs
REGISTERED NUMBER	1211673
REGISTERED OFFICE	The St Botolph Building 138 Houndsditch London EC3A 7AG
INDEPENDENT AUDITOR	KPMG LLP 15 Canada Square London E14 5GL

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 30 APRIL 2019

Introduction

The directors present their Strategic Report for the year ended 30 April 2019.

Business Review

Principal activities

The principal activities of the Company were that of an intermediate holding company within the LIH UK Topco Limited group of companies ('Lockton Group') 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 LC LLP is insurance broking.

Results and financial position

The profit for the year, after taxation, amounted to £20.0m (2018: £18.9m).

No dividend was paid during the current financial year (2018: £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 decided by the Remuneration Committee of LC LLP.

The Company's share of profits from LC LLP for the year ended 30 April 2019 are not determined until after the year end and accordingly will be recognised in the 2020 accounts of the Company. An amount of £24.5m (2018: £23.1m) was recognised in this year in respect of profits allocated for the year ended 30 April 2018 during June 2018.

As at 30 April 2019 the Company balance sheet shows net current assets of £39.9m (2018: £19.5m) and net assets of £80.7m (2018: £60.7m).

During the year the Company made a number of capital injections relating to its subsidiaries and associates. This includes USD 1.1m (£0.8m) in Lockton Re LP and €1.1m (£0.9m) in Lockton Insurance Brokers (Ireland) Limited.

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 2019	**Year ended 2018**
Total income* growth rate in %	**5%**	15%
Total income* growth in £'s	**£9.5m**	£24.9m
Net profit margin before members' profit share against turnover	**32%**	33%

* Total income comprises turnover, operating income and interest receivable.

The directors of LIH UK Topco Limited manage the group's operations on an individual basis. The development, performance and position of the LIH UK Topco Limited group, which includes the Company, is discussed in LIH UK Topco Limited's annual report.

Another key performance indicator for this Company is the carrying value of its subsidiaries, as these are the main assets of the Company. As discussed in the principal risks and uncertainties section below, the performance of the subsidiary undertakings will determine whether impairment to the carrying value is required and this is tested on a regular basis.

During the year, the Company impaired its investments by £nil (2018: £3.9m).

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 LC LLP. As detailed below, these risks are mostly managed by LC LLP. The Company's own role in managing this risk is limited to the performance monitoring of LC LLP.

Investment in subsidiaries, carrying value risk
A principal risk for the Company as a holding Company is the trading performance of its subsidiaries. Poor trading performance of 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. During the current period the Company invested £0.8m in Lockton Re LP and €1.09m (£971k) in Lockton Insurance Brokers (Ireland) Limited. During the year the Company incurred a loss on disposal for its holding in Lockton Re LP.

Legal and regulatory risk
The Company through LC LLP is exposed to various actual and potential claims, lawsuits and other proceedings relating to alleged errors and omissions and regulatory interventions associated with non-compliance with laws and regulations including those enforced by the Financial Conduct Authority and the Information Commissioner in the conduct of its ordinary course of business.

Regulatory risk includes conduct and prudential matters including the requirement to safeguard client assets and holding sufficient financial and non-financial resources to operate effectively, withstand unforeseen events and to satisfy FCA rules. The designated members are satisfied based on present information that LC 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, including appropriate external insurance coverage for errors and omissions 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 LC LLP's reported results. To mitigate the risk of material errors and omissions claims, the Group has purchased errors and omissions insurance which covers LC LLP.

Financial risk
The Company and LC LLP are exposed to financial risk through their financial assets and financial liabilities. The components of the financial risk are market, interest rate, currency, credit and liquidity 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. 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.

Interest rate risk
The Company and LC 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.

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. LC LLP is exposed to foreign currency risk arising from various currency exposures. During the year LC LLP had a policy of forward selling the US Dollar denominated brokerage income of the UK business. 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 LC LLP's business. The Company is exposed to foreign exchange risk indirectly through its ownership of other group undertakings.

Principal Risks and Uncertainties (continued)

During the year LC LLP had a policy of forward selling the US Dollar denominated brokerage income of the UK business. 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 LC LLP's business.

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 LC LLP's business has a general policy of not funding payment of claims on behalf of insurers or payment of premiums on behalf of the clients. However, LC LLP has 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, LC LLP monitors the financial condition of insurers and reinsurers on an ongoing basis. LC LLP has a Market Security Committee that evaluates, approves and monitors both insurance and reinsurance markets of the group companies conducting insurance operations and has the authority to restrict or prohibit the use of markets. Committee decisions are supported by data supplied by professional rating agencies.

The approval and monitoring of Banks that hold client and LC LLP assets is part of the remit of the Finance Committee. Cash is held by high credit quality financial institutions. There are no significant concentrations of credit risk in respect of other receivables reflected in LC LLP's balance sheet. The Company's main receivables are from other group undertakings.

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. LC LLP has adopted a formal Treasury Policy 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 LC LLP's regulator and a process of cash flow monitoring.

Further, LC LLP has a funding policy as described under the credit risk section above. The funding requirements and cash flows of LC LLP are closely and regularly monitored.

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 Company and LC LLP mitigates these risks through the EWRM framework, including business operations, 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 LC LLP and LIGS Limited to fund the Lockton Group's 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 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.

Group Risk
The Company and LC LLP currently utilises a number of services provided by other Lockton group companies. The future operation of LC LLP is dependent upon ongoing trading activities of the Lockton Group; any decline in the trading activities would present a significant risk to LC LLP. Given the current performance of the Lockton International Group this risk is currently deemed remote.

STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 30 APRIL 2019

Emerging Risks
Lockton International Holdings Limited and its subsidiaries including the Company continues to monitor developments consequent to the Brexit referendum of June 2016, the triggering of Article 50 and subsequent negotiations. LC LLP, has had a Branch office in Dublin since 2011 employing c.25 associates and also trades throughout the European Economic Area (EEA) under Passporting rights from the UK. A loss of these freedoms would prevent the LC LLP from handling the insurance needs of a significant number of clients and would put the jobs of associates working in the Dublin branch at risk. The resultant loss of revenue and damage to reputation is considered by the LC LLP board an unacceptable risk in its unmitigated state.

Lockton has therefore taken action to materially mitigate this risk, including converting the Irish Branch of the LC LLP into a separately established entity, Lockton Insurance Brokers Ireland ("LIBI") which received authorisation from the Central Bank of Ireland (CBI) in May 2018; and has developed contingencies to reduce as far as possible the impact of a loss of LC LLP's cross-border Passporting rights including receiving agreement from the CBI to open an EEA branch (converting to a third country Branch on Brexit) of LIBI in London. In addition, Lockton has received regulatory approval from another EEA regulator to establish a business which would provide further optionality in continuing to service the needs of its clients domiciled in the EEA or with EEA exposure. Lockton can also continue to call on the EEA servicing capabilities of its existing Partner broker network throughout the EEA.

We believe that a "hard" Brexit on 31st October 2019 is an increasingly likely outcome and plan implementation of our solution on this basis while following closely events that may result in a longer transitional period and/or retention of passporting or new equivalent rights.

Future developments

It is intended that the Company will continue in its present capacity in the coming year.

This report was approved by the board on 8th July 2019 and signed on its behalf.

S Jeffs
Secretary

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 APRIL 2019

The directors present their report and the financial statements for the year ended 30 April 2019.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £20.0m (2018: £18.9m).

No dividend was declared and paid during the year (2018: £nil).

Directors

The directors who served during the year were:

C M Brown
D J Gee
W W Humphrey III
N K Nimmo

Financial risk management objectives and policies

Financial risk management objectives and policies are discussed in the Strategic Report.

Political and charitable contributions

There were £nil political contributions made in the year (2018: £nil). There were £nil charitable contributions made in the year (2018: £nil).

Future developments

Likely future developments are discussed in the Strategic Report.

Going concern

The directors consider that it remains appropriate to prepare the financial statements on a going concern basis. The rationale for this decision is provided in the Accounting Policies - Going Concern note 1.2 within the financial statements.

Modern Slavery Act 2015

In accordance with the enactment of the Modern Slavery Act 2015 Lockton recognises that slavery is an abhorrent practice and Lockton is committed to ensuring that it is absent from its own business and supply chains globally.

Statement of risk appetite
Lockton has a zero tolerance of Slavery in all its forms. This means that Lockton has no appetite for causing harm to persons, damaging its reputation, being subject of legal action or incurring financial loss or standing in the business community arising from a failure to comply with the Law set out in the Modern Slavery Act. Lockton's policies, controls and procedures are designed to reduce risk to this level.

Application and scope of this statement
This statement applies to Lockton International Holdings Limited and its subsidiaries including the Company ("Lockton"), including all majority and minority interests globally. Unless noted, all companies in Lockton are required to abide by this policy.

How Lockton combats slavery
In order to combat slavery, Lockton;

- will adopt this policy and approve this statement,
- has performed a risk assessment to identify areas where the risk of slavery may be elevated. This assessment will be performed annually and the outputs and actions will be reviewed by the Board of Lockton International Holdings Limited. Lockton considers itself to be at low risk of slavery arising (meaning that it is unlikely or known that slavery is not occurring), but is not complacent and as a result of the risk assessment has identified sensible, risk-based measures designed to reduce risk to within stated appetite. Slavery is specifically referenced in Lockton's Whistleblowing policy. Other actions have been identified to ensure that persons employed by Lockton have a formal contract of employment to reduce risk of forced labour occurring. Businesses in the Lockton group will be required to attest to compliance annually; failure to act in accordance with this policy may result in disciplinary action being taken,
- has implemented and identified further checks in its supply chain (principally those involved in providing and distributing products to Lockton customers) to reduce the risk of slavery occurring; in particular, Lockton uses screening software to identify suppliers and other third parties who may have had convictions for (and allegations of) trafficking and similar offences. Further actions have been identified that will, when implemented, require participants in the supply chain to attest to an absence of non-compliant activity; to sign agreements that require compliant behaviours; and to submit to checks and report failures to Lockton;
- will investigate the provision of training materials for all Associates in the group and disseminate information on the requirements of this policy once approved, and;
- will formally review performance against this policy annually.

Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information.

Post balance sheet events

On 11 June 2019, the LC LLP Remuneration Committee approved the allocation of a share of LC LLP's profit to the individual members of £18,830,383 and to the Company (being the Corporate Member) of £18,076,774. This profit allocation was in addition to the £20,362,952 (2018: £18,478,966) of profit for the year ended 30 April 2019 that was allocated to individual members during the year. This amount will be recognised in the year ended 30 April 2020 in accordance with the Company's accounting policy.

Auditor

Under section 487(2) of the Companies Act 2006, KPMG LLP is deemed to have been reauppointed as auditor to the Company and will continue in office.

This report was approved by the board on 8th July 2019 and signed on its behalf.

S Jeffs

S Jeffs
Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2019

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with applicable law and UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Lockton Companies International Limited

Opinion

We have audited the financial statements of Lockton Companies International Limited ("the Company") for the year ended 30 April 2019 which comprise the statement of comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 April 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors such as the carrying value of subsidiaries and *related disclosures and the appropriateness of the going concern basis of preparation of the financial statements.* All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit or

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 10, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Mark Taylor (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered accountants
15 Canada Square
Canary Wharf
London
E14 5GL

8 July 2019

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2019

	Note	Year Ended 2019 £	Year Ended 2018 £
Other operating income	3	**24,547,702**	26,759,226
Operating profit	4	**24,547,702**	26,759,226
Amounts written off investments	10	**-**	(3,903,314)
(Loss)/profit on disposal of operation	5	**(1,790,983)**	487,162
Interest receivable and similar income	7	**2,257,272**	1,645,979
Interest payable and similar charges	8	**(1,156,515)**	(1,299,834)
Profit on ordinary activities before tax		**23,857,476**	23,689,219
Taxation	9	**(3,856,848)**	(4,768,786)
Profit for the financial year		**20,000,628**	18,920,433

All amounts relate to continuing operations.

There was no other comprehensive income for 2019 or 2018.

The notes on pages 17 to 30 form part of these financial statements.

BALANCE SHEET
AS AT 30 APRIL 2019
REGISTERED NUMBER: 1211673

	Note	2019 £	2019 £	2018 £	2018 £
Non-current assets					
Investments	10		**41,738,074**		41,974,694
			41,738,074		41,974,694
Current assets					
Debtors	11	**93,586,782**		69,921,950	
Cash at bank and in hand	12	**18,227**		18,792	
		93,605,009		69,940,742	
Creditors: amounts falling due within one year	13	**(53,702,138)**		(50,475,297)	
Net current assets			**39,902,871**		19,465,445
Total assets less current liabilities			**81,640,945**		61,440,139
Creditors: amounts falling due after more one year	14		**(900,003)**		(699,825)
Net assets			**80,740,942**		60,740,314
Capital and reserves					
Called up share capital	18		**4,000,001**		4,000,001
Profit and loss account	17		**76,740,941**		56,740,313
			80,740,942		60,740,314

The financial statements were approved and authorised for issue by the board and were signed on their behalf on 8th July 2019

N Nimmo
Director

The notes on pages 17 to 30 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2019

	Share capital £	Share premium £	Retained earnings £	Total equity £
Balance as at 1 May 2017	4,000,001	-	37,819,880	41,819,881
Profit for the year	-	-	18,920,433	18,920,433
Balance as at 30 April 2018	**4,000,001**	**-**	**56,740,313**	**60,740,314**
Profit for the year	-	-	20,000,628	20,000,628
Balance as at 30 April 2019	**4,000,001**	**-**	**76,740,941**	**80,740,942**

The notes on pages 17 to 30 form part of these financial statements.

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

Lockton Companies International Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102") and Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The presentation currency of these financial statements is sterling, which is also the Company's functional currency.

The Company's intermediate parent undertaking, LIH UK Topco Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of LIH UK Topco Limited are prepared in accordance with FRS102 and are publicly available. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation; and
- Related party transactions; and
- Financial Instruments.

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 and Wales, for which consolidated accounts are prepared and within which the Company is included.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

1.2 Going concern

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

- the Company has net current assets of £39,902,871 (2018: £19,465,445);
- 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, including the group's intercompany credit facility with Lockton Inc.
- amounts owed to group undertakings comprise a significant proportion of creditors and an agreement has been made between major 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.

1. ACCOUNTING POLICIES (continued)

1.3 Other operating income

Other operating income comprises distribution of profit share from LC LLP, of which the Company is a Corporate Member. Profit distribution from LC LLP is recognised when the right to receive the profit allocation is established through approval from the Remuneration Committee of LC LLP.

1.4 Non-financial assets

Investments in subsidiaries are measured at cost less accumulated impairment.

Where there are indicators of impairment of individual assets, the Company performs impairment tests based on fair value less costs to sell or a value in use calculation. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cashflows from continuing use that are independent of the cashflows of other assets or group of assets (the cash generating units). The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet permitted to or significant future investments that will enhance the asset's performance of the cash generated until being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flows and the growth rate used for extrapolation purposes.

1.5 Basic financial instruments

Trade and other debtors / creditors
Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Interest-bearing borrowings classified as basic financial instruments
Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents
Cash and cash equivalents comprise of cash balances held with highly rated financial institutions.

1.6 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.7 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 statement of comprehensive income.

1.8 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

1.9 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

1.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Impairment of non-financial assets
Where there are indicators of impairment of individual assets, the Company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet permitted to do or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as he expected future cash flows and the growth rate used for extrapolation purposes.

Taxation
Provision is made for current taxation based on assessment of the profits chargeable to tax and the tax rate in operation. The tax rate is used based on tax rates that have been enacted or substantially enacted at the balance sheet date. Management's estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits.

3. OTHER OPERATING INCOME

	Year ended 2019 £	Year ended 2018 £
Distribution of profit share from LC LLP	**24,547,702**	23,072,872
Dividend from Solo Insurance Services Limited	**-**	3,675,000
Exchange differences (note 4)	**-**	11,354
	24,547,702	26,759,226

On 11 June 2019, the Lockton Companies LLP Remuneration Committee approved the allocation of a share of LC LLP's profit to the individual members of £18,830,383 and to the Company (being the Corporate Member) of £18,076,774. This profit allocation was in addition to the £20,362,952 (2018: £18,478,966) of profit for the year ended 30 April 2019 that was allocated to individual members during the year. This amount will be recognised in the year ended 30 April 2020 in accordance with the Company's accounting policy.

4. OPERATING PROFIT

The operating profit is stated after charging:

	Year ended 2019 £	Year ended 2018 £
Exchange differences	**-**	11,354

Audit fees for the period of £16,000 (2018: £16,000) were borne by a fellow subsidiary.

The Company has no employees. Staff costs are borne by LIGS Limited, a fellow group undertaking.
Details of employee related costs, including pension costs, are shown in the financial statements of that company.

5. (LOSS)/PROFIT ON DISPOSAL OF OPERATION

During April 2019 the Company liquidated its interest in Lockton Re LP. In consideration for the liquidation of the units the Company held in Lockton Re LP, the Company received £260,255.

	Year ended 2019 £
Proceeds from liquidation	**260,255**
Net book value of investment	**(2,051,238)**
Loss on disposal	**(1,790,983)**

In the prior year, the Lockton Group disposed of its investment in the Fitzsam Investments Limited and its subsidiary Undertaking M.I.S. Motorsport Limited. The company realised a profit on disposal of £487,162.

	Year ended 2018 £
Intercompany loan and deferred consideration released	4,444,812
Share of purchase price allocated to the Company	10,000
Less: cost of investment	(3,967,650)
Profit on disposal	487,162

6. EMOLUMENTS OF DIRECTORS

Mr Humphrey III received no emoluments for his services as a director to the Company. Messrs Nimmo, Brown and Gee received emoluments for their services to the Company and its subsidiaries.

Messrs Nimmo and Brown were also individual members of LC LLP and have received a discretionary share of profit of LC LLP. They also hold capital interest units.

Details of relevant emoluments are disclosed below:

	Year ended 2019 £	Year ended 2018 £
Emoluments (including provisions for bonuses, anticipated benefits payable and profit share)	**3,430,965**	2,893,997
Company contributions to defined contribution schemes	**-**	-
Total	**3,430,965**	2,893,997
Highest paid director:		
Aggregate emoluments (excluding pension)	**1,621,140**	1,384,284
Accrued pension (defined contribution)	**-**	-
Total	**1,621,140**	1,384,284

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 2019 £	Year ended 2018 £
Other interest receivable (note 11)	**2,257,272**	1,645,979
	2,257,272	1,645,979

8. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 2019 £	Year ended 2018 £
Other loan interest payable (note 13)	**1,069,517**	1,299,834
Loss on foreign exchange revaluation	**86,998**	-
	1,156,515	1,299,834

Included within other interest is £200,178 (2018: £253,516) attributable to the unwinding of deferred consideration in respect of Solo Insurance Services Limited.

9. TAXATION

	Year ended 2019 £	Year ended 2018 £
Corporation tax		
Current tax on profits for the year	**3,388,194**	4,516,236
Adjustments in respect of previous periods	**(273,025)**	(51,866)
Total current tax	**3,115,169**	4,464,370
Deferred tax		
Current Period	**1,229,476**	(283,745)
Effect of change in UK corporation tax rate on deferred tax balances	**(490,953)**	491,325
Deferred tax adjustments in respect of prior periods	**3,156**	96,836
Total deferred tax	**741,679**	304,416
Taxation on profit on ordinary activities	**3,856,848**	4,768,786

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018: higher than) the amount expected based on the standard rate of corporation tax in the UK of 19% (2018 – 19%). The differences are explained below:

	Year ended 2019 £	Year ended 2018 £
Profit/(loss) on ordinary activities before tax	**23,857,476**	23,689,219
Profit/ (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%).	**4,532,921**	4,500,952
Effects of:		
Expenses not deductible for tax purposes	**523,243**	95,957
Adjustments to tax charge in respect of prior periods	**(269,869)**	44,970
Tax rate change on deferred tax balances	**(490,954)**	491,325
Group relief claimed at no cost	**(438,493)**	(364,418)
Current tax charge for the period	**3,856,848**	4,768,786

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The 18% rate was superseded by an additional reduction to 17% (effective from 1 April 2020) which was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. As a result of these rate changes, the tax rate for the year ended 30 April 2019 was 19% (2018: 19%).

10. INVESTMENTS

	Total £
Cost	
At 1 May 2018	52,896,928
Additions	1,814,618
Disposals	(9,070,158)
At 30 April 2019	**45,641,388**
Accumulated Impairment	
At 1 May 2018	10,922,234
Disposals	(7,018,920)
At 30 April 2019	**3,903,314**
Net book value	
At 30 April 2019	**41,738,074**
At 30 April 2018	41,974,694

Acquisition and disposal of shares

Lockton Re LP
During the year the Company made a capital contribution of £0.9m to Lockton Re LP. On 30 April 2019 the Company liquidated its interest in Lockton Re LP. In consideration for the liquidation of the units the Company held in Lockton Re LP, the Company received US$ 0.3m (£0.2m) being the positive capital account balance of the Company with respect to its interest in the partnership. The cost of the investment at the time of sale was £9.1m and the accumulated impairment amounted to £7.0m resulting in a net book value of £2.1m being disposed.

Lockton Insurance Brokers (Ireland) Limited
During the year the company invested €1.0m (£0.9m) in its subsidiary Lockton Insurance Brokers (Ireland) Limited.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2019

10. FIXED ASSET INVESTMENTS (continued)

Subsidiary undertakings

Name	**Country of incorporation**	**Class of shares**	**Holding**
Lockton Companies (China) Insurance Brokers Limited	People's Republic of China	Ordinary	100%
Lockton Companies LLP	England and Wales	n/a	100%
Lockton SPV Limited	England and Wales	Ordinary	100%
Lockton Companies AS	Norway	Ordinary	100%
Mapledown AS	Norway	Ordinary	100%
Lockton Insurance Brokers (Ireland) Limited	Ireland	Ordinary	100%
Solo Insurance Services Limited	England and Wales	Ordinary	100%
Lockton Companies (Europe) Holdings Limited	Malta	Ordinary	100%

11. DEBTORS

	Year ended 2019 £	Year ended 2018 £
Amounts owed by group undertakings	**90,152,195**	65,745,684
Deferred taxation (see note 16)	**3,434,587**	4,176,266
	93,586,782	69,921,950

Amounts owed from group undertakings comprise of £18,953,410 charged at the rate of LIBOR + 1.5%, £44,228,721 charged at the rate of LIBOR + 3% and £26,970,064 interest free and repayable on demand.

12. CASH AT BANK AND IN HAND

	Year ended 2019 £	Year ended 2018 £
Cash at bank and in hand	**18,227**	18,792
	18,227	18,792

13. CREDITORS: Amounts falling due within one year

	Year ended 2019 £	Year ended 2018 £
Amounts owed to group undertakings	**53,100,733**	48,464,304
Corporation tax	**601,405**	2,010,993
	53,702,138	50,475,297

Amounts owed to group undertakings comprise of £24,271,723 (2018: 46,340,270) charged at the rate of LIBOR + 3% and £28,829,010 (2018: £19,405,414) interest free and repayable on demand.

14. CREDITORS: Amounts falling due after more than one year

	Year ended 2019 £	Year ended 2018 £
Deferred contingent consideration	**900,003**	699,825
	900,003	699,825

Deferred contingent consideration relates to the acquisition of Solo Insurance Services Limited.

15. FINANCIAL INSTRUMENTS

	Year ended 2019 £	Year ended 2018 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	**93,605,009**	69,940,742
	93,605,009	69,940,742
Financial liabilities		
Financial liabilities measured at amortised cost	**54,602,140**	51,175,122
	54,602,140	51,175,122

Financial instruments can be further analysed as follows:

	Year ended 2019 £	Year ended 2018 £
Financial assets measured at amortised cost		
Cash and cash equivalents	**18,227**	18,792
Amounts owed by group undertakings	**90,152,195**	65,745,684
Deferred taxation	**3,434,587**	4,176,266
	93,605,009	69,940,742
Financial liabilities measured at amortised cost		
Amounts owed to group undertakings	**(53,100,732)**	(48,464,304)
Long term contingent consideration	**(900,003)**	(699,825)
Corporation tax	**(601,405)**	(2,010,993)
	(54,602,140)	(51,175,122)

16. DEFERRED TAXATION

	Year ended 2019 £
At 1 May 2018	**4,176,266**
Credit to the profit or loss (Note 9)	**(741,679)**
At 30 April 2019	**3,434,587**

The deferred tax asset is made up as follows:

	Year ended 2019 £	Year ended 2018 £
LC LLP Profit taxed in advance of allocation	**3,434,587**	4,176,266
	3,434,587	4,176,266

Deferred tax is recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. There are no unprovided deferred tax assets.

17. RESERVES

Profit & loss account

This includes all current and prior period retained profits and losses.

A dividend of £nil (2018: £nil) was paid to Lockton UK Limited during the current financial year.

18. SHARE CAPITAL

	Year ended 2019 £	Year ended 2018 £
Shares classified as equity		
Authorised, Allotted, called up and fully paid		
4,000,001 Ordinary shares of £1 each	**4,000,001**	4,000,001

19. CONTINGENT LIABILITIES

Pension Guarantees

The Company, LIHL, LIGS, LC LLP, Lockton UK Limited, LIH UK Topco Limited, Lockton International Limited and Lockton Overseas Limited (the subsidiaries) have given first fixed and floating charges over their assets and shares they own in other Group companies as a security for the payment of liabilities. The charges over assets and shares relate to the Group's NH4 Pension Scheme ("the Scheme").

The Company and LC LLP have 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 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 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 buyout basis if there is an event of default which has not been remedied in accordance with the provisions of the guarantee. This buyout basis was approximately £50m as at 30 April 2019.

The Company together with LC LLP and LIGS has undertaken to pay amounts stated within a funding plan agreed with the Trustees, contributions of £6m in 2018/19, £8m in 2019/20, £8m in 2020/21 and £1.5m in 2021/22 have been agreed. In the event that LIGS ("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.

Contingent Consideration

The accounts include an amount for contingent consideration upon the acquisition of Solo, expected to be payable in the future. A model is used to determine the appropriate level of contingent consideration to be included in the accounts. This model includes future forecasts of profitability and a discount rate to discount consideration due in greater than 1 year.

20. RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary within the LIH UK Topco Limited Group and advantage has been taken of the exemption not to disclose any transactions with wholly owned entities that are part of that group, as the accounts of LIH UK Topco Limited Group are publicly available.

21. CONTROLLING PARTY

The Company's immediate parent company and controlling party is Lockton UK Limited, a company that is registered in England and Wales. The Company's ultimate parent company and controlling party is Lockton Inc., a company incorporated in the United States.

The smallest group in which the Company's results are consolidated, and the largest in which they are publicly available is that headed by LIH UK Topco Limited, incorporated in England and Wales. No other UK group financial statements include the result of the Company. These consolidated financial statements may be obtained from The St Botolph Building, 138 Houndsditch, London, EC3A 7AG.

The Company's intermediate US parent undertaking is Lockton Operating Companies, LLC. The consolidated financial statements of Lockton Operating Companies, LLC, consolidates the LIH UK Topco Group with insurance brokerage operations based in the United States. These consolidated financial statements are not publicly available.

The largest group in which the results of the Company are consolidated is that headed by Lockton Inc.. The consolidated financial statements of Lockton Inc., consolidates Lockton Operating Companies, LLC and other certain ancillary operations. These consolidated financial statements are not publicly available.