

**DAC Beachcroft Claims Limited**

**Annual Report and Financial Statements**

**For the year ended 30 April 2018**

**Registration No: 04218278**

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## Strategic Report of DAC Beachcroft Claims Limited

For the year ended 30 April 2018

The Directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

### Business review

The principal activity of DAC Beachcroft Claims Limited ("the Company") is the provision of legal services to the insurance sector.

During the year, the Company achieved revenue of £83.2m (2017: £74.6m) and an operating profit prior to amortisation, finance charges and taxation ('EBITA') of £12.1m (2017: £9.3m), with a margin thereon of 14.6% (2017: 12.5%). At 30 April 2018 the net assets of the Company stood at £7.3m, an improvement of £3.3m at 30 April 2017.

### Key performance indicators

In order to successfully pursue its strategy of profitable growth in Claims Solutions activities in England and Wales, the Company reviews a number of metrics pertinent to different aspects of its operations. At the level of the Company, sustainable and profitable growth is measured by the progression of revenues and EBITA, as set out above.

### Principal risks and uncertainties

The principal risks facing the Company comprise operational and financial risks. Operational risks include market risks, principally arising from competitive influences on prices; risks arising from changes in the underlying insurance market in which its main customers compete; risks associated with changes in the law, or changes in political circumstances, particularly as they might affect economic conditions or the insurance market; and risks linked to interruption to the Company's systems and processes. Financial risks include cash flow risks, credit risks, and liquidity risks, and are described in the Directors' Report. A risk management process works to monitor and, as appropriate, manage these risks.

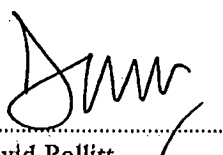
### Parent entity repayment policy

During the prior year the repayment terms of an intercompany financing agreement with the parent entity were renegotiated and as a result the Company will repay £7.5m of the debt it owes DAC Beachcroft LLP on or before 30 April 2019. This amount has been disclosed as a liability falling due within one year.

### Future developments

The Directors expect the level of activity to improve over the medium term. Longer-term projections are for sustained growth and profitability.

Approved by the Board and signed on its behalf by:

  
.....  
David Pollitt  
Director

Date: 28/11/18 .....

## **Directors' Report of DAC Beachcroft Claims Limited**

### **For the year ended 30 April 2018**

The Directors present their annual report on the affairs of the Company, together with the financial statements and Auditor's Report, for the year ended 30 April 2018.

#### **Future developments**

Details of the principal activities of the Company and intended future developments are included in the Strategic Report on page 1 and form part of this report by cross-reference.

#### **Going concern**

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being the period of at least 12 months from the date of signing the financial statements. Thus the Directors continue to adopt the going concern basis in preparing the annual financial statements.

The business is cash-generative on an operating basis and is considered by the Directors to be a going concern. The Company has net assets and benefits from the ongoing support of its parent entity, DAC Beachcroft LLP.

Further details regarding the adoption of the going concern basis can be found in the notes to the financial statements, under Note 1 (Accounting Policies).

#### **Financial risk management objectives and policies**

The Company's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk. The Company does not use derivative financial instruments for speculative purposes.

##### ***Cash flow risk***

The Company's activities bear no significant direct financial exposure to foreign exchange cash flow risk, given that there is limited billing or purchasing in foreign currencies.

##### ***Credit risk***

The Company's principal financial assets are unbilled revenue, trade and other debtors and bank balances and cash.

The Company's credit risk is primarily attributable to its unbilled revenue and trade debtors. Credit risk on unbilled revenue and trade debtors is managed by client due diligence procedures and authorisation controls which include obtaining and reviewing credit references of prospective clients. The amounts presented in the balance sheet are net of allowances for doubtful debtors and irrecoverable amounts. An allowance for impairment is made where there are identified loss events or circumstances which, based on previous experience, are evidence of a reduction in the recoverability of the unbilled revenue and trade debtors.

##### ***Liquidity risk***

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses intra-Group finance. Liquidity risk is managed using analysis of detailed and long-term cash flow forecasts that are regularly reviewed. Anticipated spikes in funding requirements are managed through focussed credit control efforts and payment management.

## **Directors' Report of DAC Beachcroft Claims Limited (continued)**

### **For the year ended 30 April 2018**

#### **Directors**

The Directors, who served throughout the year, and subsequently, unless otherwise stated, were as follows:

James Morris  
Anthony Cherry  
David Pollitt  
Shriyesh Patel  
Craig Dickson  
Helen Faulkner  
Andrew Parker  
Thomas Watkinson (appointed 9 November 2017)  
David Weatherburn (resigned 9 November 2017)

#### **Directors' indemnities**

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

#### **Dividends**

The Company did not pay or declare a dividend during the year (2017: £nil).

#### **Disclosure of information to auditor**

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

- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Director has taken all 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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

#### **Auditor**

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be reappointed as auditor.

**Directors' Report of DAC Beachcroft Claims Limited (continued)**  
**For the year ended 30 April 2018**

**Directors' responsibilities statement**

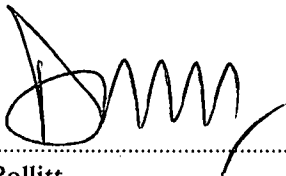
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including "FRS 102" The Financial Reporting Standard applicable to the UK and the 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 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.

Approved by the Board and signed on its behalf by:



.....  
**David Pollitt**  
**Director**

Date: ..... 08/11/18 .....

**Independent Auditor's Report to the Members of  
DAC Beachcroft Claims Limited  
For the year ended 30 April 2018**

**Report on the audit of the financial statements**

**Opinion**

In our opinion the financial statements of DAC Beachcroft Claims Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 April 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 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.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial

**Independent Auditor's Report to the Members of  
DAC Beachcroft Claims Limited (continued)**  
For the year ended 30 April 2018

**Other information (continued)**

statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report and strategic report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report or strategic report.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

**Independent Auditor's Report to the Members of  
DAC Beachcroft Claims Limited (continued)**  
For the year ended 30 April 2018

**Use of our report**

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.



**Saul A Wadsworth (Senior statutory auditor)**  
for and on behalf of Deloitte LLP  
London, United Kingdom  
16 November 2018



**DAC Beachcroft Claims Limited**  
**Profit and Loss Account**  
For the year ended 30 April 2018

	Note	2018 £'000	2017 £'000
Turnover	3	83,196	74,554
Other operating expenses		(72,054)	(66,391)
Amortisation of goodwill	5	(5,092)	(5,091)
Operating expenses	5	(77,146)	(71,482)
Other operating income	5	917	1,055
<b>Operating profit</b>	5	<u>6,967</u>	<u>4,127</u>
Finance costs (net)	4	(1,207)	(1,824)
<b>Profit on ordinary activities before taxation</b>		<u>5,760</u>	<u>2,303</u>
Tax on profit	9	(2,414)	(1,849)
<b>Profit for the financial year attributable to the equity shareholder's of the Company</b>		<u><u>3,346</u></u>	<u><u>454</u></u>

There were no recognised gains or losses other than as stated in the profit and loss account. Accordingly no separate Statement of Comprehensive Income is given.

All the activities of the Company are classified as continuing.

**DAC Beachcroft Claims Limited**  
**Balance Sheet**  
**At 30 April 2018**

	Note	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Intangible assets	10	-	5,092
Tangible assets	11	277	297
		<u>277</u>	<u>5,389</u>
<b>Current assets</b>			
Debtors due within one year	12	45,730	49,911
Debtors due after more than one year	12	139	269
Cash at bank and in hand		767	1,801
		<u>46,636</u>	<u>51,981</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(30,211)</u>	<u>(37,804)</u>
<b>Net current assets</b>		<u>16,425</u>	<u>14,177</u>
<b>Total assets less current liabilities</b>		<u>16,702</u>	<u>19,566</u>
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(8,956)</u>	<u>(15,250)</u>
<b>Provision for liabilities</b>	16	<u>(469)</u>	<u>(385)</u>
<b>Net assets</b>		<u>7,277</u>	<u>3,931</u>
<b>Capital and reserves</b>			
Called up share capital	17	-	-
Capital contribution reserve		5,737	7,931
Profit and loss account deficit		1,540	(4,000)
<b>Shareholder's funds</b>		<u>7,277</u>	<u>3,931</u>

The financial statements of DAC Beachcroft Claims Limited, company number 04218278, were approved on behalf of the board and authorised for issue by:

.....  
**David Pollitt**  
**Director**

.....  
**James Morris**  
**Director**

Date: .....

08/11/18

**DAC Beachcroft Claims Limited**  
**Statement of Changes in Equity**  
**At 30 April 2018**

	Called up share capital £'000	Profit and loss account deficit £'000	Capital contribution reserve £'000	Total £'000
At 1 May 2016	-	(8,513)	10,524	2,011
Profit for the financial year	-	454	-	454
Capital contribution (see note 17)	-	-	1,466	1,466
Transfer from capital contribution reserve to profit and loss account (see note 17)	-	4,059	(4,059)	-
<b>At 30 April 2017</b>	<b>-</b>	<b>(4,000)</b>	<b>7,931</b>	<b>3,931</b>
Profit for the financial year	-	3,346	-	3,346
Transfer from capital contribution reserve to profit and loss account (see note 17)	-	2,194	(2,194)	-
<b>At 30 April 2018</b>	<b>-</b>	<b>1,540</b>	<b>5,737</b>	<b>7,277</b>

**DAC Beachcroft Claims Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 April 2018**

**1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

**General information and basis of accounting**

DAC Beachcroft Claims Limited is a company incorporated in England and Wales, within the United Kingdom under the Companies Act. The registered address is Portwall Place, Portwall Lane, Bristol, BS1 9HS. The nature of the Company's operations and its principal activities are set out in the strategic report on page 1.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of DAC Beachcroft Claims Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

DAC Beachcroft Claims Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. DAC Beachcroft Claims Limited is consolidated in the financial statements of its parent, DAC Beachcroft LLP, which may be obtained at 100 Fetter Lane, London, EC4A 1BN. Exemptions have been taken in these financial statements in relation to presentation of a cash flow statement, disclosure of financial instruments and remuneration of key management personnel.

**Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business review on page 1. The Strategic Report and Directors' Report on pages 1 to 4 describes the financial position of the Company and its funding as well as its objectives and policies for managing cash flow, credit and liquidity risk.

The Company meets its day-to-day working capital requirements through a combination of up-front receipts for some of its income, a bank overdraft and funding from the parent entity. The current economic conditions do not create particular uncertainty over the level of demand for the Company's products.

The Company's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Company should be able to operate within the current and planned support of the Parent entity, as evidenced by a letter of support dated 8 November 2018.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being the period of at least 12 months from the date of signing the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

**DAC Beachcroft Claims Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 April 2018**

**1. ACCOUNTING POLICIES (continued)**

**Intangible assets – goodwill**

Goodwill arising on both the acquisition of businesses and transfers of trade, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over five years. Provision is made for any impairment.

**Tangible fixed assets**

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Tangible fixed assets include amounts associated with anticipated future dilapidation costs within leasehold improvements.

Depreciation is provided on all tangible fixed at rates calculated to write off the cost, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	over the shorter of 10 years and the remaining period of the lease
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Furniture and office equipment	5 to 7 years on a straight-line basis
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Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

**Financial instruments**

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**DAC Beachcroft Claims Limited**  
**Notes to the Financial Statements**  
For the year ended 30 April 2018

**1. ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.
- (b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.
- (d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

Debt instruments that are classified as payable or receivable within one year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

**Fair value measurement**

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

**DAC Beachcroft Claims Limited**  
**Notes to the Financial Statements**  
For the year ended 30 April 2018

**1. ACCOUNTING POLICIES (continued)**

**Equity instruments**

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

**Impairment of assets**

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the profit and loss account.

**(a) Non-financial assets**

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units ("CGU") of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro rata basis and then to any goodwill allocated to that CGU.

**(b) Financial assets**

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

**DAC Beachcroft Claims Limited**  
**Notes to the Financial Statements**  
For the year ended 30 April 2018

**1. ACCOUNTING POLICIES (continued)**

**Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, 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 is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**Fee income and revenue recognition**

Fee income represents the fair value of legal services provided during the year on client assignments. Fair value reflects the amount expected to be recoverable from clients and is based on time spent, expertise and skills provided, and expenses incurred. Fee income is stated net of Value Added Tax.

Legal services provided to clients during the year which, at the balance sheet date, have not been invoiced to clients have been recognised as fee income in accordance with Financial Reporting Standard 102 Section 23 - Revenue. Fee income recognised in this manner is based on an assessment of the fair value of the services provided by the balance sheet date as a proportion of the total value of the engagement. Provision is made against unbilled amounts on those engagements where the right to receive payments is contingent on factors outside the control of the Company. Unbilled fee income is included as unbilled revenue within debtors.

**Borrowing costs**

Interest costs on financial liabilities held at amortised cost are expensed through profit and loss using the effective interest method.

**Foreign currency**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.



**DAC Beachcroft Claims Limited**  
**Notes to the Financial Statements**  
For the year ended 30 April 2018

**1. ACCOUNTING POLICIES (continued)**

**Leases**

Operating lease rentals are charged to the profit and loss account in equal amounts over the lease term.

Lease incentives are recognised in the profit and loss account evenly throughout the lease term.

**Provisions**

Provision is made for the best estimate of expected losses from onerous contracts, including in respect of surplus property. Provision is made for dilapidations in respect of property leases which contain requirements for the premises to be returned to their original state prior to the conclusion of the lease term.

The provision for professional indemnity insurance claims represents the estimated cost to the Company of defending and settling claims where a liability is considered by the Directors to be probable.

**Discounting**

Longer term provisions are shown at the present value of the expected liability. The increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate is charged to the profit and loss account and is included under the 'Net Finance Costs' caption.

**2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

***Critical judgements in applying the Company's accounting policies***

In a number of areas, judgements have been made in the process of applying the Company's accounting policies, and each of these judgements is exposed to a variety of sources of estimation uncertainty.

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**2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)**

**Unbilled revenue/revenue recognition**

The valuation of unbilled revenue, as set out in note 12, involves significant judgement, and affects the amount of revenue recognised. The valuation is based on an estimate of the amount expected to be recoverable from clients on unbilled items based on such factors as time spent, the expertise and skills provided and expenses incurred. Provision is made for such factors as historical recoverability rates, contingencies, agreements with clients, and potential credit risks, often following interactions between fee earners, finance and clients.

**Professional indemnity insurance claims**

The valuation of the probable exposure on the uninsured portion of professional indemnity claims, as disclosed in note 16, also involves significant judgement. The valuation takes into account known circumstances to the extent that the Company will be required to commit its excess. The resulting reserves are regularly reviewed but claims are an area of inherent uncertainty.

**Recoverability of trade debtors**

The valuation of amounts recoverable and not recoverable on trade debtors, as set out in note 12, involves significant judgement. The estimation of provision is established based on interactions between finance, the fee earner and clients, mindful of the specific circumstances of clients and individual matters and invoices, and guided by calculation rules applied to the aged population of all trade debtors (excluding those already addressed by more specific provision).

**Recoverability of intra-group funding**

Appropriate information is monitored to give comfort that intra-Group balances remain recoverable. Were there to be circumstances or events that indicated balances had become problematic, steps would be taken actively to reduce balances back to an appropriate level. Were the recoverability of an intra-group balance to become unlikely, adequate provision would be made. Intra-group balances are set out in notes 12, 14 and 15.

**Dilapidations**

The provisions made in respect of property leases which contain requirements for the premises to be returned to their original state prior to the conclusion of the lease term are subject to estimation uncertainty around the point at which dilapidations may come to be payable and the future physical circumstances at that point, the outcome of commercial negotiations and the actual costs of the restoration work. See note 16 for further detail.

**DAC Beachcroft Claims Limited**  
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**3. TURNOVER**

100% of the Company's income arose on the provision of legal services in the United Kingdom.

The Directors consider that disclosure of turnover, analysed by industry sector, would be prejudicial to the business.

**4. FINANCE COSTS (NET)**

	2018 £'000	2017 £'000
Interest payable on bank loans and overdrafts	1,205	1,823
Unwinding of discount on dilapidations provision (note 16)	2	1
	<u>1,207</u>	<u>1,824</u>

**5. OPERATING PROFIT**

Operating profit is stated after charging:	2018 £'000	2017 £'000
Depreciation of tangible fixed assets (note 11)	71	86
Amortisation of intangible assets (note 10)	5,092	5,091
Other operating charges	30,131	28,013
Operating lease rentals – land	427	421
Recharge of staff costs (note 7)	41,433	37,885
Loss on disposal of fixed assets	-	19
Net foreign exchange gain	(8)	(33)
	<u>77,146</u>	<u>71,482</u>

Arriving at operating profit, other operating income of £917,000 (2017: £1,055,000) has been recorded in the year and includes a recharge to other group companies of £666,000 (2017: £770,000) for the use of property and facilities at the Company's offices.

**6. AUDITOR'S REMUNERATION**

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £19,000 (2017: £19,000).

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements of the parent entity are required to disclose such fees on a consolidated basis.

**DAC Beachcroft Claims Limited**  
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**7. STAFF NUMBERS AND COSTS**

The Company did not have any employees in the year. In accordance with an agreement between DAC Beachcroft Services Limited and DAC Beachcroft Claims Limited, DAC Beachcroft Services Limited recharges, at a 5% mark-up, the cost of the related personnel including National Insurance and pension contributions to the Company. The resulting recharge was £41.4m (2017: £37.9m).

**8. DIRECTORS' REMUNERATION**

None of the Directors received any remuneration from the Company during either financial year. The Directors are either Members of DAC Beachcroft LLP and hence remunerated by that entity, or are employed by DAC Beachcroft Services Limited and are remunerated by that company. It is impractical to allocate their remuneration between their services as Directors of this Company and as Members of DAC Beachcroft LLP and their other roles.

**9. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2018 £'000	2017 £'000
<b>Current tax on profit on ordinary activities</b>		
UK corporation tax	2,279	1,767
Adjustments to tax in respect of prior years	6	(30)
	<hr/> 2,285	<hr/> 1,737
<b>Deferred tax</b>		
Origination and reversal of timing differences	132	78
Adjustments to tax in respect of prior years	(3)	19
Effect of a change in tax rates	-	15
	<hr/> 129	<hr/> 112
<b>Total deferred tax charge</b>	<hr/> 129	<hr/> 112
<b>Total tax on profit on ordinary activities</b>	<hr/> <hr/> 2,414	<hr/> <hr/> 1,849

**DAC Beachcroft Claims Limited**  
**Notes to the Financial Statements**  
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**9. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)**

The tax assessed for the year was higher than the blended rate of corporation tax in the UK of 19.00% (2017: 19.92%). The differences are explained below:

	2018 £'000	2017 £'000
Profit on ordinary activities before taxation	5,760	2,303
	<u>£'000</u>	<u>£'000</u>
Tax at the UK corporation tax rate of 19.00% (2017: 19.92%)	1,094	459
Factors affecting the charge for the year:		
Expenditure not tax deductible	1,088	1,023
Adjustment to tax in respect of prior years	3	(11)
Transfer pricing	229	363
Changes to tax rates	-	15
<b>Current tax charge for the year</b>	<u>2,414</u>	<u>1,849</u>

From 1 April 2017, the main rate of corporation tax reduced to 19%. This rate has been used to calculate deferred tax balances. This will reduce to 17% from 1 April 2020. This reduction in the corporation tax rate is not expected to materially affect the future tax charge.

**10. INTANGIBLE FIXED ASSETS**

	Goodwill £'000
<b>Cost</b>	
At 1 May 2017 and 30 April 2018	31,931
<b>Amortisation</b>	
At 1 May 2017	26,839
Charge for the year	5,092
At 30 April 2018	31,931
<b>Net book value</b>	
At 30 April 2018	-
At 30 April 2017	5,092

The goodwill arose on the acquisition of certain trade and assets from DAC Beachcroft LLP in 2014.

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**11. TANGIBLE FIXED ASSETS**

	Leasehold improvements £'000	Furniture and office equipment £'000	Total £'000
<b>Cost</b>			
At 1 May 2017	140	351	491
Additions	-	51	51
	<hr/>	<hr/>	<hr/>
At 30 April 2018	140	402	542
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 May 2017	21	173	194
Charge for the year	21	50	71
	<hr/>	<hr/>	<hr/>
At 30 April 2018	42	223	265
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 30 April 2018	98	179	277
	<hr/>	<hr/>	<hr/>
At 30 April 2017	119	178	297
	<hr/>	<hr/>	<hr/>

Where there is a requirement to return leased premises to their original state at the end of the leases, a discounted provision is included, together with an equivalent reinstatement asset. This asset is depreciated over the period of the respective lease, and is shown within the cost of Leasehold improvements. Within leasehold improvements, £140,000 relates to capitalised dilapidation reinstatement assets.

None of the tangible fixed assets were leased assets.

**12. DEBTORS**

	2018 £'000	2017 £'000
<b>Amounts due within one year</b>		
Trade debtors	22,279	16,671
Unbilled revenue	20,349	19,665
Amounts due from group companies	2,770	13,252
Deferred tax (note 13)	14	13
Prepayments	318	310
	<hr/>	<hr/>
	45,730	49,911
	<hr/>	<hr/>

**DAC Beachcroft Claims Limited**  
**Notes to the Financial Statements**  
For the year ended 30 April 2018

**12. DEBTORS (continued)**

	2018 £'000	2017 £'000
<b>Amounts due after more than one year</b>		
Deferred tax (note 13)	139	269
	<u>139</u>	<u>269</u>

**13. DEFERRED TAX ASSET**

The amounts of deferred taxation provided in the financial statements are:

	2018 £'000	2017 £'000
<b>Amounts falling due within one year</b>		
Depreciation in excess of capital allowances	14	13
	<u>14</u>	<u>13</u>
<b>Amounts falling due in more than one year</b>		
Depreciation in excess of capital allowances	120	136
General provision	19	133
	<u>139</u>	<u>269</u>
	<u>153</u>	<u>282</u>

**14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2018 £'000	2017 £'000
Trade creditors	7,289	5,582
Amounts due to group companies - trade	6,370	17,793
Amounts due to group companies - borrowings	7,500	7,500
Corporation tax	1,158	566
Social security and other taxes	4,345	3,518
Accruals	1,637	932
Deferred income	1,912	1,913
	<u>30,211</u>	<u>37,804</u>

The Company has issued a cross-guarantee in respect of the Group's revolving credit facility. The amount drawn down on the credit facility as at 30 April 2018 was £17.0m (2017: £14.0m).

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**15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2018 £'000	2017 £'000
Amounts due to group companies	8,956	15,250
	<u>£'000</u>	<u>£'000</u>
<b>Amounts due to group companies – borrowings</b>		
Between one and two years	7,500	7,500
Between two and five years	1,456	7,750
	<u>8,956</u>	<u>15,250</u>
On demand, or within one year	7,500	7,500
	<u>16,456</u>	<u>22,750</u>

The amount due to group companies relates to an intercompany debt with the Company's parent entity, DAC Beachcroft LLP, which is accounted for under the amortised cost method. During the previous year the repayment terms of this agreement were renegotiated and as a result, a carrying value adjustment was recognised and taken to the capital contribution reserve (note 17). The £16,456,000 balance is the present value of consideration due to be repaid in instalments. The next instalment of £7,500,000 is due by the end of the 2019 accounting period (note 14). All other amounts due to group companies are interest free and unsecured.

**16. PROVISIONS FOR LIABILITIES**

	Dilapidations £'000	Claims provision £'000	Total £'000
At 1 May 2017	308	77	385
Increase in provision	-	395	395
Provision utilised	-	(313)	(313)
Unwinding of discount	2	-	2
	<u>310</u>	<u>159</u>	<u>469</u>
<b>At 30 April 2018</b>	<u>310</u>	<u>159</u>	<u>469</u>

Provision is made for claims registered by clients. There is uncertainty as to the final outcome of such claims which, if leading to payment, are expected to be settled within one to two years.

The Company is contractually obliged under the terms of lease arrangements to return its premises to the same conditions which existed at the start of its leases. The cost of the resulting dilapidations is uncertain and provision is based on prudent estimates.



**DAC Beachcroft Claims Limited**  
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**17. CALLED UP SHARE CAPITAL AND RESERVES**

	2018	2017
	£	£
<b>Allotted, called up and fully-paid</b>		
1 Ordinary share of £1.00	1	1
	<u>1</u>	<u>1</u>

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

**The Company's other reserves are as follows:**

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

The capital contribution reserve arose as a result of financial liabilities that were previously held at historical cost being accounted for under amortised cost on transition to FRS 102. During the prior year a carrying value adjustment of £1,446,000 was taken to the capital contribution reserve following a change in repayment terms of a liability accounted for using the amortised cost method.

Following this adjustment, £2,194,000 (2017: £4,059,000) was transferred from the capital contribution reserve into the profit and loss account. The remaining balance will be released proportionally as the balance of the intercompany financing agreement is repaid.

**18. FINANCIAL COMMITMENTS**

At the year-end the Company was not committed to any capital expenditure (2017: £nil).

Total future minimum lease payments under non-cancellable operating leases are as follows:

	<b>Land and buildings</b>	
	2018	2017
	£'000	£'000
- Within one year	421	421
- Between one and five years	1,684	177
- After five years	178	-
<b>At 30 April</b>	<u>2,283</u>	<u>598</u>

**19. SUBSEQUENT EVENTS**

There have been no post balance sheet events that require disclosure.

**DAC Beachcroft Claims Limited**  
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**20. RELATED PARTY TRANSACTIONS**

DAC Beachcroft Claims Limited has relied upon the exemption given in FRS 102 Section 33 not to disclose transactions between itself and its parent entity DAC Beachcroft LLP and other wholly-owned subsidiaries.

**21. ULTIMATE PARENT UNDERTAKING**

The Company is a wholly-owned subsidiary of DAC Beachcroft LLP. The Company's ultimate parent entity is DAC Beachcroft LLP, which is incorporated in the United Kingdom. Copies of the parent entity's consolidated financial statements, which relate to both the largest and smallest group of undertakings in which group accounts have been drawn up, are available to the public and may be obtained from 100 Fetter Lane, London, EC4A 1BN.

In the opinion of the Members of DAC Beachcroft LLP, there is no ultimate controlling party as defined by FRS 102 Section 33.