

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018**

FOR

**CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED**



**CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED**

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for the Year Ended 31 October 2018**

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**CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED**

**COMPANY INFORMATION
for the Year Ended 31 October 2018**

DIRECTORS:

M D Jones
C G Nicholls
S D Pearsall
J Blanco

SECRETARY:

J Pulley

REGISTERED OFFICE:

70 Mark Lane
London
United Kingdom
EC3R 7NQ

REGISTERED NUMBER:

02908444 (England and Wales)

AUDITORS:

Ernst & Young LLP, Statutory Auditor
Birmingham

**CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED**

**STRATEGIC REPORT
for the Year Ended 31 October 2018**

The directors present their strategic report for the year ended 31 October 2018.

REVIEW OF BUSINESS

Crawford & Company, of which the Company is the main UK trading subsidiary, is the world's largest independent provider of claims management solutions to insurance companies and self-insured entities. The Crawford system of claims solutions offers claims services, business process outsourcing, and consulting services for major product lines including property and casualty claims management, workers compensation claims, medical management, and legal settlement administration.

The number of claims handled by the business remain static when compared with prior year despite a small spike in storm claims in spring 2018. The underlying trend is for reduced claim volumes across the industry. Operating profit in the year, before exceptional items and impairment charge, was £2,057,000 (2017: £6,079,000) and profit after tax, was £580,000 (2017: £1,995,000). Whilst claims volumes have remained static reduction in revenue and operating profit is impacted by a change in a mix of revenue compared to prior year. Operating profit is also impacted by increases in management charges and professional costs.

Exceptional restructuring and re-organisation costs were incurred of £nil (2017: 2,321,000). During the prior year, the Company incurred exceptional costs as a result of global management restructure.

The directors believe the current impairment provision in respect of intangible assets is adequate for the current year, reflecting the outcome of the required annual impairment review. No impairment charge has been incurred as a result (2017: £nil). Further details are provided in note 10.

The Company's key financial performance indicators during the year were as follows:

| | 2018 | 2017 |
|--|------------|------------|
| | £'000 | £'000 |
| Turnover | 93,881 | 98,946 |
| Operating profit before impairment | 2,057 | 6,079 |
| Impairment | - | - |
| Operating profit after impairment | 2,057 | 6,079 |
| Exceptional items | - | (2,321) |
| Profit/(Loss) for the year after taxation | 580 | 1,995 |
| Average no. employees | 1,200 | 1,240 |
| Claims volume '000 | 112 | 112 |
| Current assets as % of current liabilities | <u>114</u> | <u>113</u> |

**CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED**

**STRATEGIC REPORT
for the Year Ended 31 October 2018**

PRINCIPAL RISKS AND UNCERTAINTIES

The Company has established a risk and financial management framework whose primary objectives are to protect the Company from events that hinder the achievement of the Company's performance objectives. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level. Price risk arises on financial instruments because of changes in, for example, commodity prices or equity prices. The Company does not have any investments in listed entities or exposure to commodity prices, therefore it is minimally exposed to price risk.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Company policies are aimed at minimising such losses, by partnering with financially sound customers, agreeing payment terms in advance and requesting progress payments and upfront payments where necessary. Appropriate credit control procedures have been developed and are followed at all levels of operations where credit risk is perceived. The funding provided by Crawford & Company Risk Services Investments Limited is sourced by Credit Facility with Wells Fargo which is secured by a first priority lien on 100% of the capital stock of the Company.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets throughout the Company. The funding provided by Crawford & Company Risk Services Investments Limited matures on 23 November 2022 at which point, the amount borrowed falls due for payment in full. The Crawford & Company wider group anticipates managing repayment of the debt with any surplus cash and thereafter extending the loan for a further period. Interest rates which may be charged should extension be sought, are not yet known.

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as future interest payments on a variable rate debt. The Company's transactions are predominantly in sterling and very few transactions are in other currencies. The Company is therefore minimally exposed to the movement in foreign exchange rates. The Company has no third party debt. However, the interest charged by Crawford & Company Risk Services Investments Limited is subject to variable rates of interest based on the amounts charged by Wells Fargo.

The UK and EU insurance markets in which the company and its subsidiaries operate may be impacted by the various potential outcomes of Brexit. There are multiple regulatory, contractual, and supply chain issues that need to be considered, and also the potential impact to transactions and assets denominated in foreign currencies by the company and its subsidiary entities. There may be increased risks regarding employee mobility, cross-border payments, data transfer and potential tax and regulatory impacts. Changes to these regulations could impact the ability of the Crawford Group to conduct business in these countries, which could have a material adverse effect on expected future cashflows of those entities. Any such adverse impact would need to be reflected in management's trading forecasts and review of the carrying value of the its investments in subsequent years.

**CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED**

**STRATEGIC REPORT
for the Year Ended 31 October 2018**

Management have not identified any implications from Brexit on the current year results and will incorporate any changes in future assessments.

ON BEHALF OF THE BOARD:



.....
S D Pearsall - Director

Date: 30/07/2019

**CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED**

**REPORT OF THE DIRECTORS
for the Year Ended 31 October 2018**

The directors present their report with the financial statements of the company for the year ended 31 October 2018.

DIVIDENDS

No dividends will be distributed for the year ended 31 October 2018.

FUTURE DEVELOPMENTS

The Company continues to monitor developments in the market, including the structure of the cost base, in order to support and service its clients. No significant changes to the Company's operations or activities are currently anticipated.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 November 2017 to the date of this report.

M D Jones
C G Nicholls
S D Pearsall

Other changes in directors holding office are as follows:

J Blanco was appointed as a director after 31 October 2018 but prior to the date of this report.

C D Pinney ceased to be a director after 31 October 2018 but prior to the date of this report.

EMPLOYEE CONSULTATION

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

GOING CONCERN

The Company has obtained a confirmation from Crawford & Company that, in the event it is required, it will provide financial support for a period of at least twelve months from the date of approval of the financial statements. For this reason they continue to adopt the going concern basis in preparing the financial statements.

FINANCIAL RISK MANAGEMENT

Details of the objectives and policies for financial risk management are included in the "Principal risks and uncertainties" section of the Strategic Report.

**CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED**

**REPORT OF THE DIRECTORS
for the Year Ended 31 October 2018**

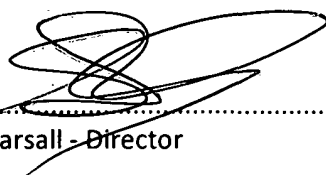
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Ernst & Young LLP, Statutory Auditor, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



.....
S D Pearsall - Director

Date: 30/07/2019

**CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
for the Year Ended 31 October 2018**

The directors are responsible for preparing the Strategic report, the Report of the directors 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 Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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;
- 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED**

Opinion

We have audited the financial statements of Crawford & Company Adjusters (UK) Limited for the year ended 31 October 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 October 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 below. 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 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED**

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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 and Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 material misstatements in the Strategic Report or Report of the Directors.

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED**

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 Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

Ernst & Young LLP

Lorna McNeil (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

Date: 30 July 2019

**CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED**

**INCOME STATEMENT
for the Year Ended 31 October 2018**

| | Notes | 2018 £'000 | 2017 £'000 |
|--|-------|-------------------|---------------------|
| TURNOVER | 3 | 93,881 | 98,946 |
| Cost of sales | | <u>(71,637)</u> | <u>(75,074)</u> |
| GROSS PROFIT | | 22,244 | 23,872 |
| Administrative expenses | | <u>(20,187)</u> | <u>(17,793)</u> |
| OPERATING PROFIT | | 2,057 | 6,079 |
| Re-organisation & restructuring costs | 5 | <u>-</u> | <u>(2,321)</u> |
| | | 2,057 | 3,758 |
| Interest receivable and similar income | 6 | 526 | 540 |
| Other finance income | 21 | <u>731</u> | <u>525</u> |
| | | 3,314 | 4,823 |
| Interest payable and similar expenses | 7 | <u>(2,313)</u> | <u>(2,338)</u> |
| PROFIT BEFORE TAXATION | 8 | 1,001 | 2,485 |
| Tax on profit | 9 | <u>(421)</u> | <u>(490)</u> |
| PROFIT FOR THE FINANCIAL YEAR | | <u><u>580</u></u> | <u><u>1,995</u></u> |

The notes form part of these financial statements

**CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED**

**OTHER COMPREHENSIVE INCOME
for the Year Ended 31 October 2018**

| | Notes | 2018 £'000 | 2017 £'000 |
|---|-------|----------------|---------------|
| PROFIT FOR THE YEAR | | 580 | 1,995 |
| OTHER COMPREHENSIVE (LOSS)/INCOME | | | |
| Item that will not be reclassified to profit or loss: | | | |
| Re-translation of overseas branch | | - | (53) |
| Income tax relating to item that will not be reclassified to profit or loss | | - | - |
| | | - | (53) |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Actuarial (loss)/gain on pension fund | | (2,957) | 4,587 |
| Income tax relating to item that may be reclassified subsequently to profit or loss | | 503 | (780) |
| | | (2,454) | 3,807 |
| OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF INCOME TAX | | <u>(2,454)</u> | <u>3,754</u> |
| TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR | | <u>(1,874)</u> | <u>5,749</u> |

The notes form part of these financial statements

**CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED (REGISTERED NUMBER: 02908444)**

**BALANCE SHEET
31 October 2018**

| | Notes | 2018 £'000 | 2017 £'000 |
|--|-------|-----------------|-----------------|
| FIXED ASSETS | | | |
| Intangible assets | 10 | 25,234 | 26,357 |
| Tangible assets | 11 | 2,602 | 2,902 |
| Investments | 12 | <u>54,321</u> | <u>54,321</u> |
| | | <u>82,157</u> | <u>83,580</u> |
| CURRENT ASSETS | | | |
| Debtors | 13 | 58,634 | 62,803 |
| Cash at bank | | <u>5,786</u> | <u>2,782</u> |
| | | 64,420 | 65,585 |
| CREDITORS | | | |
| Amounts falling due within one year | 14 | <u>(56,626)</u> | <u>(57,865)</u> |
| NET CURRENT ASSETS | | <u>7,794</u> | <u>7,720</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 89,951 | 91,300 |
| CREDITORS | | | |
| Amounts falling due after more than one year | 15 | (89,978) | (89,752) |
| PROVISIONS FOR LIABILITIES | 18 | (973) | (1,201) |
| PENSION ASSET | 21 | <u>25,684</u> | <u>26,211</u> |
| NET ASSETS | | <u>24,684</u> | <u>26,558</u> |


The notes form part of these financial statements

**CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED (REGISTERED NUMBER: 02908444)**

**BALANCE SHEET - continued
31 October 2018**

| | Notes | 2018 £'000 | 2017 £'000 |
|-----------------------------|-------|---------------|---------------|
| CAPITAL AND RESERVES | | | |
| Called up share capital | 19 | 19,828 | 19,828 |
| Share premium | 20 | 950 | 950 |
| Other reserves | 20 | (18,698) | (18,698) |
| Profit and loss account | 20 | <u>22,604</u> | <u>24,478</u> |
| SHAREHOLDERS' FUNDS | | <u>24,684</u> | <u>26,558</u> |

The financial statements were approved by the Board of Directors on30/07/2019..... and were signed on its behalf by:



 S D Pearsall - Director

**CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED**

**STATEMENT OF CHANGES IN EQUITY
for the Year Ended 31 October 2018**

| | Called up share capital £'000 | Profit and loss account £'000 | Share premium £'000 | Other reserves £'000 | Total equity £'000 |
|-----------------------------------|--|--|---------------------------|----------------------------|--------------------------|
| Balance at 1 November 2016 | 19,828 | 18,729 | 950 | (18,698) | 20,809 |
| Changes in equity | | | | | |
| Total comprehensive income | - | 5,749 | - | - | 5,749 |
| Balance at 31 October 2017 | <u>19,828</u> | <u>24,478</u> | <u>950</u> | <u>(18,698)</u> | <u>26,558</u> |
| Changes in equity | | | | | |
| Total comprehensive loss | - | (1,874) | - | - | (1,874) |
| Balance at 31 October 2018 | <u>19,828</u> | <u>22,604</u> | <u>950</u> | <u>(18,698)</u> | <u>24,684</u> |

The notes form part of these financial statements

**CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 October 2018**

1. STATUTORY INFORMATION

Crawford & Company Adjusters (UK) Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and the Companies Act 2006. The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The financial statements are presented in Sterling, which is the company's functional and presentational currency. All values are rounded to the nearest £'000 except where otherwise stated.

The Company is incorporated and is domiciled in the United Kingdom.

The Company has taken advantage of the exemption under s401 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Crawford & Company Risk Services Investments Limited. The results of Crawford & Company Risk Services Investments Limited are included in the consolidated financial statements of Crawford & Company which are available from the address shown in note 22 to the accounts.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

2. ACCOUNTING POLICIES - continued

Revenue recognition

Turnover represents amounts receivable by the Company for the services provided, excluding VAT. Included within this figure is the fair value of amounts recoverable on contracts where a right to consideration has been obtained. The majority of the Company's loss adjusting activities are considered to be long term contracts.

In the case of long-term contracts, turnover reflects the contract activity during the year and represents the proportion of total contract value which costs incurred to date bear to total expected contract costs based on established models for groups of transactions with common features.

Goodwill

Business combinations for businesses acquired under common control transactions are accounted for using the pooling of interest method. The cost of an acquisition is measured as the aggregate of the consideration transferred. The assets and liabilities acquired are recorded based on the amounts previously recognised at the date of the transfer for the same assets and liabilities by the group. Any difference between the consideration transferred and the assets and liabilities recorded is recorded directly in equity within "Other reserves".

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations, goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. Had the company amortised goodwill a period of 13 years would have been chosen as the useful life for goodwill. The profit for the year would have been £647,000 lower had goodwill been amortised in the year. The carrying value of goodwill as at the balance sheet date is £7,734,000.

Goodwill is initially recognised on the basis set out above. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

Intangible assets

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

2. ACCOUNTING POLICIES - continued

Intangibles are amortised over the following lives:

| | | |
|------------------------|---|----------|
| Customer relationships | - | 13 years |
| Trade agreements | - | 1 year |
| Computer software | - | 5 years |

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

| | | |
|------------------------|---|---------------------------|
| Leasehold improvements | - | 25% on cost |
| Fixtures and fittings | - | 3 - 5 years straight line |
| Motor vehicles | - | 20% on cost |

Financial instruments

FINANCIAL ASSETS

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset. The Company's financial assets include cash and short-term deposits, trade and other receivables and intercompany loans.

Trade and other debtors

Trade debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

FINANCIAL LIABILITIES

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

2. ACCOUNTING POLICIES - continued

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Convertible preference shares

The component of the convertible preference shares that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Corporation tax payable is provided on taxable profits at the current rate.

The taxation liabilities of certain group undertakings are reduced wholly or in part by the surrender of losses by fellow group undertakings. The tax benefits arising from group relief are recognised in the financial statements of the recipient companies

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less tax in the future have occurred at the balance sheet date, with the exception of deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxation profits from which the future reversal of the underlying timing difference can be deducted.

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

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

2. ACCOUNTING POLICIES - continued

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

The results of overseas branches are translated into sterling using the average exchange rate for the period concerned. The net assets of overseas branches are translated into sterling using the period end exchange rate. Any exchange differences arising on this retranslation are taken directly to Other Comprehensive Income.

Leases

Assets held under finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

Employee benefit costs

The Group operates three defined benefit pension schemes, all of which require contributions to be made to separately administered funds. The schemes were closed to new members in 1997, from which time membership of a defined contribution plan is available.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs, the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the profit and loss account. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

2. ACCOUNTING POLICIES - continued

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

The defined benefit pension assets in the balance sheet comprise the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair-value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. Assumptions for inflation are based on the yield gap between long term index linked and long term fixed interest gilt securities.

In the event that the value ascribed to pension assets within a scheme exceeds the value ascribed to pension liabilities, a net pension asset is only recognised if, under the relevant scheme rules, the company has an unconditional right to a refund once the scheme has settled its liabilities and no scheme members remain.

Ruling 14 of the International Financial Reporting Standards Interpretations Committee (IFRIC 14) clarifies how the asset ceiling should be applied, particularly how it interacts with local minimum funding rules. The Company has determined that it has an unconditional right to a refund of surplus assets if the scheme is run off until the last member dies, on which basis IFRIC 14 does not cause any change in the balance sheet disclosure before tax.

The Company applies the income tax rate to a refund of surplus.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet, if material.

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

2. ACCOUNTING POLICIES - continued

Amounts recoverable on contracts

Amounts recoverable on contracts are stated at fair value where the right to consideration has been obtained. Where the substance of a contract is such that a right to consideration does not arise until the occurrence of a critical event, the asset and revenue are valued at nil. Amounts recoverable on contracts are stated net of amounts billed in respect of the same contracts.

The amount recorded in respect of long term contracts reflects an assessment of the proportion of contract revenue that relates to the level of contract completion at the balance sheet date and therefore represents both the costs incurred on the contract to date and the recognition of the proportion of profit that relates to the work completed. The assessment of contract completion is based on established models for groups of transactions with common features.

Long term contract balances included in debtors are stated at cost, after provision has been made for any foreseeable losses and the deduction of applicable payments on account. Provision is made for losses on all contracts as soon as they are foreseen.

Investments

Fixed asset investments are shown at cost less any provision for impairment.

Impairment of property, plant and equipment, investments and goodwill

Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or cash generating unit's) fair value less cost to sell and value in use. Goodwill is tested for impairment annually.

Vacant leasehold properties

The Company enters into contracts resulting in rental obligations in respect of leasehold properties. Where leasehold properties are vacated, a provision is recognised representing a best estimate of the unavoidable lease payments over the remaining term of the lease, on a contract by contract basis.

Share based payments

The group has share-based employee incentive plans which are described more fully in note 24. The relevant shares are those of the ultimate holding company, Crawford & Company registered in the US. The plans are run and administered by Crawford & Company, outside of the UK. The fair value of share-based payments is recharged to the Company and charged to the profit and loss account on a straight line basis over the vesting period after taking account of forfeitures.

Claims

Within Accruals and deferred income are amounts accrued for anticipated insurance claims by third parties against the company. The amounts expected to be recovered against those claims, under the company's professional indemnity policies, are included in prepayments and accrued income.

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

2. ACCOUNTING POLICIES - continued

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Assessment of revenue and work in progress

The evaluation of revenue to be recognised in respect of contracts subject to either a fixed or scale based fee is based on management's judgement as to how best to assess the stage of completion of the company's performance on such contracts. Management have concluded that this is best established on a portfolio basis, based on an estimation of the time incurred at the balance sheet date as a proportion of the total expected time to be incurred.

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Impairment review

Management estimate is required as part of the goodwill, fixed asset and investments impairment review including establishing appropriate assumptions and forecast of future performance.

The sensitivity of these assumptions is considered as documented in note 10.

Pension and other post employment benefits

The cost of defined benefit pensions plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country.

The company has considered the IFRIC14 criteria in relation to the recognition of pension surpluses and only recognises a surplus when it has the unconditional right to a refund. Refund tax is treated as an income tax.

3. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

All turnover relates to sales that were derived from the Company's principal continuing activities in the UK, stated net of VAT.

**CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

4. EMPLOYEES AND DIRECTORS

| | 2018 | 2017 |
|-----------------------|---------------|---------------|
| | £'000 | £'000 |
| Wages and salaries | 50,461 | 53,179 |
| Social security costs | 5,663 | 5,891 |
| Other pension costs | <u>4,641</u> | <u>3,383</u> |
| | <u>60,765</u> | <u>62,453</u> |

The average number of employees during the year was as follows:

| | 2018 | 2017 |
|---------------|--------------|--------------|
| Total Company | <u>1,200</u> | <u>1,240</u> |

Included in wages and salaries is a total expense of share-based payments of £518,000 (2017: £522,000). Further details of share based payments are provided in note 23.

Included in other pension costs is £2,454,000 (2017: £2,542,000) in respect of the defined contribution scheme.

The amount outstanding in relation to defined contribution pension schemes at the year end was £311,000 (2017:£358,000).

| | 2018 | 2017 |
|--|-----------|----------------|
| | £ | £ |
| Directors' remuneration | 1,449,515 | 2,019,308 |
| Directors' pension contributions to money purchase schemes | 31,366 | 46,859 |
| Compensation to director for loss of office | <u>-</u> | <u>307,581</u> |

The number of directors to whom retirement benefits were accruing was as follows:

| | | |
|------------------------|----------|----------|
| Money purchase schemes | <u>3</u> | <u>3</u> |
|------------------------|----------|----------|

No director exercised share options during the year (2017 - no directors).

Two directors received shares under long term incentive schemes (2017 - two directors).

Information regarding the highest paid director is as follows:

| | 2018 | 2017 |
|---|----------|----------------|
| | £ | £ |
| Director's remuneration | 428,674 | 645,764 |
| Pension contributions to money purchase schemes | 5,833 | - |
| Compensation for loss of office | <u>-</u> | <u>307,000</u> |

The highest paid director received shares under the group's long term incentive scheme.

**CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

5. RE-ORGANISATION & RESTRUCTURING

| | 2018 £'000 | 2017 £'000 |
|---------------------|---------------|---------------|
| Staff restructuring | - | 1,781 |
| Property costs | - | 31 |
| Consultancy fees | - | 72 |
| IT costs | - | 437 |
| | <u>-</u> | <u>2,321</u> |

Costs incurred in the prior year were primarily a result of global management restructure and the write down of a redundant claims system.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2018 £'000 | 2017 £'000 |
|-----------------------|---------------|---------------|
| Bank interest | 1 | 4 |
| Intercompany interest | <u>525</u> | <u>536</u> |
| | <u>526</u> | <u>540</u> |

7. INTEREST PAYABLE AND SIMILAR EXPENSES

| | 2018 £'000 | 2017 £'000 |
|-------------------------------|---------------|---------------|
| Intercompany interest payable | 2,296 | 2,305 |
| Other interest payable | 6 | - |
| Finance lease charges | <u>11</u> | <u>33</u> |
| | <u>2,313</u> | <u>2,338</u> |

**CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

8. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging/(crediting):

| | 2018 | 2017 |
|---|-----------|-----------|
| | £'000 | £'000 |
| Hire of plant and machinery | 1,369 | 1,421 |
| Other operating leases | 1,954 | 2,078 |
| Depreciation - owned assets | 1,303 | 1,397 |
| Depreciation - assets on finance leases | 110 | 229 |
| Profit on disposal of fixed assets | (5) | (96) |
| Customer relationships amortisation | 1,742 | 1,744 |
| Trade agreements amortisation | 4 | 48 |
| Computer software amortisation | 956 | 673 |
| Audit fees | 245 | 276 |
| Taxation compliance services | 116 | 99 |
| Other non- audit services | - | 6 |
| Foreign exchange differences | <u>15</u> | <u>70</u> |

9. TAXATION

Analysis of tax expense

| | 2018 | 2017 |
|--|-------------|-------------|
| | £'000 | £'000 |
| Current tax: | | |
| Foreign tax - current year | <u>26</u> | <u>13</u> |
| Deferred tax: | | |
| Origination and reversal of timing differences | 275 | 749 |
| Prior year adjustment | 149 | (179) |
| Effect of changes in tax rate | <u>(29)</u> | <u>(93)</u> |
| Total deferred tax | <u>395</u> | <u>477</u> |
| Total tax expense in income statement | <u>421</u> | <u>490</u> |

**CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

9. TAXATION - continued

Factors affecting the tax expense

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Profit before income tax | <u>1,001</u> | <u>2,485</u> |
| Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.41%) | 190 | 482 |
| Effects of: | | |
| Tax effect of non-deductible or non-taxable items | 85 | 270 |
| Change in rate of tax applied to deferred tax | (29) | (93) |
| Adjustments in respect of prior periods | 149 | (179) |
| Overseas tax suffered | 26 | 10 |
| | <u>421</u> | <u>490</u> |
| Tax expense | | |

Tax effects relating to effects of other comprehensive income

| | Gross £'000 | Tax £'000 | 2018 Net £'000 |
|---------------------------------------|----------------|--------------|----------------------|
| Actuarial (loss)/gain on pension fund | (2,957) | 503 | (2,454) |
| Re-translation of overseas branch | - | - | - |
| | <u>(2,957)</u> | <u>503</u> | <u>(2,454)</u> |

| | Gross £'000 | Tax £'000 | 2017 Net £'000 |
|-----------------------------------|----------------|--------------|----------------------|
| Actuarial gain on pension fund | 4,587 | (780) | 3,807 |
| Re-translation of overseas branch | (53) | - | (53) |
| | <u>4,534</u> | <u>(780)</u> | <u>3,754</u> |

The standard rate of UK Corporation Tax was reduced from 20% to 19% with effect from 1 April 2017, with a further reduction to 17% due to take effect from 1 April 2020. This has been substantively enacted in the Finance Act 2016 on 6 September 2016 and in accordance with accounting standards, has been reflected in the company's financial statements.

**CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

10. INTANGIBLE FIXED ASSETS

| | Goodwill £'000 | Customer relationships £'000 | Trade agreements £'000 | Computer software £'000 | Totals £'000 |
|------------------------|-------------------|------------------------------------|------------------------------|-------------------------------|-----------------|
| COST | | | | | |
| At 1 November 2017 | 8,409 | 22,654 | 620 | 10,280 | 41,963 |
| Additions | - | - | - | 1,584 | 1,584 |
| Disposals | - | - | - | (65) | (65) |
| At 31 October 2018 | <u>8,409</u> | <u>22,654</u> | <u>620</u> | <u>11,799</u> | <u>43,482</u> |
| AMORTISATION | | | | | |
| At 1 November 2017 | 675 | 7,166 | 616 | 7,149 | 15,606 |
| Amortisation for year | - | 1,742 | 4 | 956 | 2,702 |
| Eliminated on disposal | - | - | - | (60) | (60) |
| At 31 October 2018 | <u>675</u> | <u>8,908</u> | <u>620</u> | <u>8,045</u> | <u>18,248</u> |
| NET BOOK VALUE | | | | | |
| At 31 October 2018 | <u>7,734</u> | <u>13,746</u> | <u>-</u> | <u>3,754</u> | <u>25,234</u> |
| At 31 October 2017 | <u>7,734</u> | <u>15,488</u> | <u>4</u> | <u>3,131</u> | <u>26,357</u> |

Goodwill is subject to an annual impairment review whilst other intangible assets are subject to impairment review in the event that indicators of potential impairment are identified. As part of the annual impairment review of goodwill, the carrying value of goodwill, other intangible fixed assets and tangible fixed assets are compared with an assessment of the value in use of the business to which those assets relate. For the purpose of this review, goodwill acquired through business combinations, and the other assets subject to review have been allocated to the cash-generating units, which are also operating segments, as follows:

- Crawford Claim Solutions
- Broadspire
- Global Technical Services

These represent the lowest level within the Company at which goodwill is monitored for internal management purposes. Cash generating units have been updated for the current year impairment review to reflect the Global Service Lines now used to manage the business.

Value in use is estimated using forecast levels of turnover and EBITDA to which multiples are applied. The earnings multiples used by management were as follows:

| | <u>2019</u> | <u>2020</u> |
|---------|-------------|-------------|
| Revenue | 0.5 | 0.5 |
| EBITDA | 5 | 4.5 |

**CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

10. INTANGIBLE FIXED ASSETS - continued

Carrying amount of goodwill allocated to cash-generating units are as follows:

| | 2018 | 2017 |
|---------------------------|--------------|--------------|
| | £000 | £000 |
| Crawford Claim Solutions | 3,885 | 3,885 |
| Broadspire | 116 | 116 |
| Global Technical Services | <u>3,733</u> | <u>3,733</u> |
| | <u>7,734</u> | <u>7,734</u> |

Key assumptions used in value in use calculations

The calculation of value in use for each cash generating unit is most sensitive to claims volumes over the 2 year forecast period which in turn drive the budget and forecast EBITDA and to changes in the revenue/earnings multiples. A 10% reduction in forecast EBITDA or 5% decrease in EBITDA multiple will not result in an impairment charge. The results of this review are such that no change to the impairment provision is required (2017 £nil).

**CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

11. TANGIBLE FIXED ASSETS

| | Leasehold improvements £'000 | Fixtures and fittings £'000 | Motor vehicles £'000 | Totals £'000 |
|------------------------|------------------------------------|--------------------------------------|----------------------------|-----------------|
| COST | | | | |
| At 1 November 2017 | 1,463 | 10,324 | 424 | 12,211 |
| Additions | 228 | 913 | - | 1,141 |
| Disposals | <u>-</u> | <u>(356)</u> | <u>(186)</u> | <u>(542)</u> |
| At 31 October 2018 | <u>1,691</u> | <u>10,881</u> | <u>238</u> | <u>12,810</u> |
| DEPRECIATION | | | | |
| At 1 November 2017 | 447 | 8,584 | 278 | 9,309 |
| Charge for year | 363 | 974 | 76 | 1,413 |
| Eliminated on disposal | <u>-</u> | <u>(354)</u> | <u>(160)</u> | <u>(514)</u> |
| At 31 October 2018 | <u>810</u> | <u>9,204</u> | <u>194</u> | <u>10,208</u> |
| NET BOOK VALUE | | | | |
| At 31 October 2018 | <u>881</u> | <u>1,677</u> | <u>44</u> | <u>2,602</u> |
| At 31 October 2017 | <u>1,016</u> | <u>1,740</u> | <u>146</u> | <u>2,902</u> |

Included within Improvements to property are short leasehold buildings with a carrying amount of £881,000 (2017: £1,016,000).

The net book value of tangible fixed assets includes £77,714 (2017 - £213,679) in respect of assets held under finance leases.

12. INVESTMENTS

| | Shares in group undertakings £'000 |
|---|---|
| COST | |
| At 1 November 2017 and 31 October 2018 | <u>54,528</u> |
| PROVISIONS | |
| At 1 November 2017 and 31 October 2018 | <u>207</u> |
| NET BOOK VALUE | |
| At 31 October 2018 | <u>54,321</u> |
| At 31 October 2017 | <u>54,321</u> |

**CRAWFORD & COMPANY ADJUSTERS (UK)
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

12. INVESTMENTS - continued

The Company had investments in the ordinary shares of the following wholly owned subsidiary undertakings as at 31 October 2018.

| <u>Company</u> | <u>Principal activity</u> | <u>Country of incorporation</u> |
|--|---------------------------|-------------------------------------|
| Contractor Connection (Repairnet) UK Limited | | United Kingdom |
| Crawford & Company Legal Services Limited | Legal services | United Kingdom |
| Specialist Liability Services Limited | Dormant | United Kingdom |
| Buckley Scott Holdings Limited | Dormant | United Kingdom |
| Buckley Scott Associates Limited* | Dormant | United Kingdom |
| RBAG Holdings UK Limited | Holding company | United Kingdom |
| RBAG Legacy UK Limited* | non trading | United Kingdom |
| Crawford Aviation Limited* | | United Kingdom |
| RBAG Legacy Holdings Limited* | Holding company | United Kingdom |
| RD&L International Holdings Limited* | Holding company | United Kingdom |
| RBAG Legacy London Holdings International Limited* | Holding company | United Kingdom |
| Crawford Aviation Pte* | | Singapore |
| Aviation Lights Services Corporation* | | USA |

The above companies have as their principal activities, the provision of services to the insurance industry, unless otherwise stated.

* indirect holding

The principal place of business of each entity is the same as its country of incorporation. Except as stated below, the registered office of the above companies is 70 Mark Lane, London, EC3R 7NQ, United Kingdom:

| | | |
|---|---|-------------------------------------|
| Crawford & Company Legal Services Limited | Suite 7d, The Plaza, Old Hall Street, | Liverpool, L3 9QJ United Kingdom |
| Crawford Aviation Pte | 10 Hoe Chang Road, #07-07 Keppel Towers | 089315 Singapore |
| Aviation Lights Services Corporation | 1201 Richardson Drive, Texas | 75080 USA |

**CRAWFORD & COMPANY ADJUSTERS (UK)
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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

13. DEBTORS

| | 2018 £'000 | 2017 £'000 |
|---|----------------|----------------|
| Amounts falling due within one year: | | |
| Trade debtors | 11,799 | 15,907 |
| Amounts owed by group undertakings | 25,857 | 28,313 |
| Amounts recoverable on contracts | 15,354 | 14,091 |
| Deferred tax asset | 2,223 | 2,115 |
| Prepayments and accrued income | <u>2,168</u> | <u>1,176</u> |
| | <u>57,401</u> | <u>61,602</u> |
| Amounts falling due after more than one year: | | |
| Due from SGS on unfunded pension scheme | 973 | 1,201 |
| Prepayments and accrued income | <u>260</u> | <u>-</u> |
| | <u>1,233</u> | <u>1,201</u> |
| Aggregate amounts | <u>58,634</u> | <u>62,803</u> |
| Deferred tax asset | | |
| | 2018 £'000 | 2017 £'000 |
| Accelerated capital allowances | (598) | (687) |
| Tax losses carried forward | 6,886 | 6,946 |
| Other timing differences | <u>(4,065)</u> | <u>(4,144)</u> |
| | <u>2,223</u> | <u>2,115</u> |

The directors consider most of the deferred tax asset to be long term. Other timing differences predominantly relate to pensions. The directors forecast sufficient profit for the Company to utilise deferred tax asset over oncoming years.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2018 £'000 | 2017 £'000 |
|------------------------------------|---------------|---------------|
| Finance leases (see note 16) | 66 | 190 |
| Trade creditors | 965 | 835 |
| Amounts owed to group undertakings | 28,610 | 29,586 |
| Social security and other taxes | 4,134 | 4,859 |
| Other creditors | 311 | 358 |
| Accruals and deferred income | <u>22,540</u> | <u>22,037</u> |
| | <u>56,626</u> | <u>57,865</u> |

**CRAWFORD & COMPANY ADJUSTERS (UK)
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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

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

| | 2018 £'000 | 2017 £'000 |
|------------------------------------|---------------|---------------|
| Preference shares (see note 16) | 4,176 | 4,176 |
| Finance leases (see note 16) | - | 34 |
| Amounts owed to group undertakings | 85,542 | 85,542 |
| Accruals and deferred income | <u>260</u> | <u>-</u> |
| | <u>89,978</u> | <u>89,752</u> |

Amounts owed to group undertakings falling due after more than one year includes £45,860,000 due for repayment by 23 November 2022. Interest on the loan is calculated based on the interest charged by the ultimate finance provider to the group undertaking. Interest rates are based on the London Interbank Offered Rate ("LIBOR"), plus an applicable interest margin. The interest margin for LIBOR ranges from 1.30% to 2.10%

In addition £39,682,000 represents the principal amount on hive up of the trade and assets of RBAG Legacy UK Limited (formerly GAB Robins UK Limited), excluding the managed contractors business. Interest is charged at 3% per annum and is due for repayment on 30 November 2020.

16. FINANCIAL LIABILITIES - BORROWINGS

| | 2018 £'000 | 2017 £'000 |
|------------------------------|---------------|---------------|
| Current: | | |
| Finance leases (see note 17) | <u>66</u> | <u>190</u> |
| Non-current: | | |
| Preference shares | 4,176 | 4,176 |
| Finance leases (see note 17) | <u>-</u> | <u>34</u> |
| | <u>4,176</u> | <u>4,210</u> |

Terms and debt repayment schedule

| | 1 year or less £'000 | More than 5 years £'000 | Totals £'000 |
|-------------------|----------------------------|-------------------------------|-----------------|
| Preference shares | - | 4,176 | 4,176 |
| Finance leases | <u>66</u> | <u>-</u> | <u>66</u> |
| | <u>66</u> | <u>4,176</u> | <u>4,242</u> |

**CRAWFORD & COMPANY ADJUSTERS (UK)
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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

16. FINANCIAL LIABILITIES - BORROWINGS - continued

Details of shares shown as liabilities are as follows:

| Allotted, issued and fully paid: | | Nominal value: | 2018 | 2017 |
|----------------------------------|--|-------------------|--------------|--------------|
| Number: | Class: | | £'000 | £'000 |
| 4,175,539 | non-cumulative redeemable preference shares | £1 | <u>4,176</u> | <u>4,176</u> |

17. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

| | | Finance leases | |
|------------------------------|--|-------------------------------------|---------------|
| | | 2018 | 2017 |
| | | £'000 | £'000 |
| Gross obligations repayable: | | | |
| Within one year | | 81 | 214 |
| Between one and five years | | <u>-</u> | <u>45</u> |
| | | <u>81</u> | <u>259</u> |
| Finance charges repayable: | | | |
| Within one year | | 15 | 24 |
| Between one and five years | | <u>-</u> | <u>11</u> |
| | | <u>15</u> | <u>35</u> |
| Net obligations repayable: | | | |
| Within one year | | 66 | 190 |
| Between one and five years | | <u>-</u> | <u>34</u> |
| | | <u>66</u> | <u>224</u> |
| | | Non-cancellable operating leases | |
| | | 2018 | 2017 |
| | | £'000 | £'000 |
| Within one year | | 3,014 | 3,554 |
| Between one and five years | | 6,888 | 9,964 |
| In more than five years | | <u>1,609</u> | <u>4,216</u> |
| | | <u>11,511</u> | <u>17,734</u> |

**CRAWFORD & COMPANY ADJUSTERS (UK)
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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

17. LEASING AGREEMENTS - continued

Subsequent to the year end, certain leases have been reviewed, leading to a reduction in the commitments existing at the balance sheet date.

18. PROVISIONS FOR LIABILITIES

| | Deferred tax Debtor £'000 | SGS unfunded pension scheme Provision £'000 |
|--------------------------------------|---------------------------------|---|
| Balance at 1 November 2017 | (2,115) | 1,201 |
| Credit to income statement | 395 | - |
| Charge to other comprehensive income | (503) | - |
| Revaluation | - | (228) |
| | <u>(2,223)</u> | <u>973</u> |
| Balance at 31 October 2018 | <u>(2,223)</u> | <u>973</u> |

There is an unrecognised deferred tax asset of £58,000 (2017: £58,000) in relation to capital losses that is not expected to be utilised in the foreseeable future.

The ex-gratia pension provision is made in respect of pensioners who are not part of the GAB Robins Pension Scheme to provide benefits equivalent to those under that scheme. On the sale of RBAG Legacy UK Limited by Société Générale de Surveillance (SGS) to BRERA Capital Partners Limited Partnership, SGS agreed to fund this amount and there is a matching debtor for SGS's contribution towards this shortfall. The annual valuation for this liability is carried out by AON Hewitt Limited and is reflected in the above analysis.

The company continues to recognise the deferred tax asset on the basis that its reversal is supported by future profit forecasts.

19. CALLED UP SHARE CAPITAL

| Allotted, issued and fully paid: | | Nominal | 2018 | 2017 |
|----------------------------------|--------------------------------------|---------|---------------|---------------|
| Number: | Class: | value: | £'000 | £'000 |
| 19,327,956 | ordinary | £1 | 19,328 | 19,328 |
| 500,000 | cumulative non-redeemable preference | £1 | <u>500</u> | <u>500</u> |
| | | | <u>19,828</u> | <u>19,828</u> |

**CRAWFORD & COMPANY ADJUSTERS (UK)
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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

19. CALLED UP SHARE CAPITAL - continued

Share rights

Shares are held by parent companies, which rank all shares as holding the same rights. Accordingly all ordinary shares and cumulative non-redeemable preference shares have been presented as equity.

Preference shares

The Company also has 4,175,539 non-cumulative redeemable preference shares of £1 each in issue, which due to the nature of the share, are disclosed within Creditors: amounts falling due after more than one year.

The Company may redeem, at par, all or any of the non-cumulative redeemable preference shares at any time.

20. RESERVES

| | Profit and loss account £'000 | Share premium £'000 | Other reserves £'000 | Totals £'000 |
|---------------------|--|---------------------------|----------------------------|-----------------|
| At 1 November 2017 | 24,478 | 950 | (18,698) | 6,730 |
| Profit for the year | 580 | - | - | 580 |
| Net actuarial loss | <u>(2,454)</u> | <u>-</u> | <u>-</u> | <u>(2,454)</u> |
| At 31 October 2018 | <u>22,604</u> | <u>950</u> | <u>(18,698)</u> | <u>4,856</u> |

Other reserves

Other reserves arises following the application of the pooling of interest basis to the hive up of the trade and assets of RBAG Legacy UK Limited in November 2015. As the transaction was a common control transaction, the company has applied pooling accounting and the values ascribed to the assets and liabilities acquired are those reflected in the Crawford group consolidated financial statements at the time of the transfer. The reserve represents the excess of the consideration paid over the values ascribed on this basis.

21. EMPLOYEE BENEFIT OBLIGATIONS

The Company provides pension arrangements through three funded defined benefit schemes and the related costs are assessed in accordance with the advice of professionally qualified actuaries. For the Thomas Howell Group Pension and Life Assurance Scheme and the Brocklehurst Pension Fund a full actuarial valuation was carried out at 1 January 2018. For the Crawford Arnold and Green Group Pension Scheme the last formal actuarial valuation was at 1 April 2016. These were completed by a qualified independent actuary.

**CRAWFORD & COMPANY ADJUSTERS (UK)
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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

The valuations used for IAS19 (R) disclosures have been based on the most recent actuarial valuations at the dates noted above, which uses the attained age method, and have been updated by qualified actuaries to take account of the requirements of IAS19 (R) in order to assess the liabilities of the schemes at 31 October 2018.

Scheme assets are stated at their market values at the respective balance sheet dates, which is equivalent to their fair value. The overall expected rate of return on assets is established based on the discount rate applied to liabilities. Any difference between the actual return and the expected return is reflected in other comprehensive income.

The company estimates that the duration of the scheme liabilities are approximately 16 years, 19 years, and 23.5 years for Thomas Howell Group Pension & Life, Brocklehurst Pension Fund and Crawford Arnold & Green schemes respectively.

The amounts recognised in profit or loss are as follows:

| | Defined benefit pension plans | |
|---|----------------------------------|--------------|
| | 2018 | 2017 |
| | £'000 | £'000 |
| Current service cost | 936 | 841 |
| Past service cost | <u>1,251</u> | <u>-</u> |
| | 2,187 | 841 |
| Net interest from defined benefit asset/liability | <u>(731)</u> | <u>(525)</u> |
| | <u>1,456</u> | <u>316</u> |
| Actual return on plan assets | <u>3,203</u> | <u>6,844</u> |

Analysis of the amount which has been charged to operating profit:

| | Crawford Arnold & Green Group Pension Scheme | | Brocklehurst Pension Fund | | Thomas Howell Group Pension & Life Assurance Scheme | |
|----------------------|--|-----------|------------------------------|------------|---|------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Current Service Cost | 132 | 69 | 245 | 147 | 559 | 625 |
| Past Service Cost | <u>70</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,181</u> | <u>-</u> |
| | <u>202</u> | <u>69</u> | <u>245</u> | <u>147</u> | <u>1,740</u> | <u>625</u> |

**CRAWFORD & COMPANY ADJUSTERS (UK)
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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

21. EMPLOYEE BENEFIT OBLIGATIONS - continued

Analysis of the amount which has been credited/(charged) to other finance income/other finance costs:

| | Crawford Arnold & Green Group Pension Scheme | | Brocklehurst Pension Fund | | Thomas Howell Group Pension & Life Assurance Scheme | |
|---|--|---------------|------------------------------|---------------|---|----------------|
| | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 |
| Interest income on plan assets | 276 | 327 | 989 | 1,032 | 4,259 | 4,307 |
| Interest on pension scheme liabilities | <u>(214)</u> | <u>(259)</u> | <u>(786)</u> | <u>(849)</u> | <u>(3,793)</u> | <u>(4,033)</u> |
| Net finance income | <u>62</u> | <u>68</u> | <u>203</u> | <u>183</u> | <u>466</u> | <u>274</u> |

Changes in the present value of the defined benefit obligation are as follows:

| | Defined benefit pension plans | |
|--------------------------------------|----------------------------------|-----------------|
| | 2018 £'000 | 2017 £'000 |
| Opening defined benefit obligation | 188,395 | 199,576 |
| Current service cost | 936 | 841 |
| Past service cost | 1,251 | - |
| Contributions by scheme participants | 41 | 56 |
| Interest cost | 4,793 | 5,141 |
| Scheme administration costs | (722) | (532) |
| Actuarial losses/(gains) | 636 | (3,409) |
| Benefits paid | <u>(11,105)</u> | <u>(13,278)</u> |
| | <u>184,225</u> | <u>188,395</u> |

**CRAWFORD & COMPANY ADJUSTERS (UK)
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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

21. EMPLOYEE BENEFIT OBLIGATIONS - continued

Changes in the fair value of scheme assets are as follows:

| | Defined benefit pension plans | |
|--------------------------------------|----------------------------------|-----------------|
| | 2018 | 2017 |
| | £'000 | £'000 |
| Opening fair value of scheme assets | 214,606 | 217,261 |
| Contributions by employer | 3,886 | 4,255 |
| Contributions by scheme participants | 41 | 56 |
| Scheme administration costs | (722) | (532) |
| Interest income | 5,524 | 5,666 |
| Actuarial gains/(losses) | (2,321) | 1,178 |
| Benefits paid | <u>(11,105)</u> | <u>(13,278)</u> |
| | <u>209,909</u> | <u>214,606</u> |

The major categories of scheme assets as amounts of total scheme assets are as follows:

| | Defined benefit pension plans | |
|-----------------------------|----------------------------------|----------------|
| | 2018 | 2017 |
| | £'000 | £'000 |
| Cash and cash equivalents | 906 | 1,080 |
| Growth Component Portfolio | 51,172 | 77,104 |
| Hedging Component Portfolio | <u>157,831</u> | <u>136,422</u> |
| | <u>209,909</u> | <u>214,606</u> |

**CRAWFORD & COMPANY ADJUSTERS (UK)
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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

21. EMPLOYEE BENEFIT OBLIGATIONS - continued

The fair value of the assets in each scheme, the present value of the liabilities in each scheme at the balance sheet date were:

Crawford & Arnold Green
Group Pension Scheme

| | 2018 | 2017 |
|-------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Cash and cash equivalents | 9 | 21 |
| Growth Component Portfolio | 2,297 | 2,805 |
| Hedging Component Portfolio | <u>7,232</u> | <u>8,043</u> |
| Total fair value of assets | 9,538 | 10,869 |
| Present value of scheme liabilities | <u>(7,989)</u> | <u>(8,482)</u> |
| Surplus in the scheme | <u>1,549</u> | <u>2,387</u> |

Level of funding being the actuarial value of assets expressed as a percentage of the benefits accrued to members, after allowing for future salary increases

| | |
|----------------|----------------|
| <u>119.39%</u> | <u>128.14%</u> |
|----------------|----------------|

Brocklehurst Pension Fund

| | 2018 | 2017 |
|-------------------------------------|-----------------|-----------------|
| | £'000 | £'000 |
| Cash and cash equivalents | 62 | 63 |
| Growth Component Portfolio | 9,112 | 10,780 |
| Hedging Component Portfolio | <u>28,497</u> | <u>26,662</u> |
| Total fair value of assets | 37,671 | 37,505 |
| Present value of scheme liabilities | <u>(30,520)</u> | <u>(30,122)</u> |
| Surplus in the scheme | <u>7,151</u> | <u>7,383</u> |

Level of funding being the actuarial value of assets expressed as a percentage of the benefits accrued to members, after allowing for future salary increases

| | |
|----------------|----------------|
| <u>123.43%</u> | <u>124.51%</u> |
|----------------|----------------|

**CRAWFORD & COMPANY ADJUSTERS (UK)
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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

21. EMPLOYEE BENEFIT OBLIGATIONS - continued

Thomas Howell Group Pension and Life
Assurance Scheme

| | 2018 | 2017 |
|--|------------------|------------------|
| | £'000 | £'000 |
| Cash and cash equivalents | 835 | 997 |
| Growth Component Portfolio | 39,763 | 63,519 |
| Hedging Component Portfolio | <u>122,102</u> | <u>101,716</u> |
| Total fair value of assets | 162,700 | 166,232 |
| Present value of scheme liabilities | <u>(145,716)</u> | <u>(149,791)</u> |
| Surplus in the scheme | <u>16,984</u> | <u>16,441</u> |
| Level of funding being the actuarial value of assets expressed as a percentage of the benefits accrued to members, after allowing for future salary increases | <u>116.56%</u> | <u>110.98%</u> |

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

| | Crawford Arnold & Green | | Brocklehurst Pension Fund | | Thomas Howell Group Pension and Life Assurance Scheme | |
|--|----------------------------|--------------|------------------------------|--------------|---|--------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Rate of increase in salaries | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Rate of increase in pension payment | 3.15% | 3.20% | 3.15% | 3.20% | 2.35% | 2.30% |
| Discount rate | 2.84% | 2.69% | 2.81% | 2.66% | 2.77% | 2.61% |
| Inflation - RPI | 3.35% | 3.25% | 3.35% | 3.25% | 3.35% | 3.25% |
| Inflation - CPI | <u>2.35%</u> | <u>2.25%</u> | <u>2.35%</u> | <u>2.25%</u> | <u>2.35%</u> | <u>2.25%</u> |

**CRAWFORD & COMPANY ADJUSTERS (UK)
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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

21. EMPLOYEE BENEFIT OBLIGATIONS - continued

The life expectancy assumptions, for all schemes, which are based on SAPS S2PA tables, are as set out below

| | 2018 | 2017 |
|--|-------------|-------------|
| Mortality assumptions - base table | | |
| Mortality assumptions - future improvements | | |
| Life expectancy - male age 65+ | 23.3 | 23.0 |
| Life expectancy - female age 65+ | 24.9 | 24.8 |
| Life expectancy - male age 65+ currently aged 45 | 24.7 | 24.7 |
| Life expectancy - female age 65+ currently aged 45 | <u>26.4</u> | <u>26.3</u> |

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

| Assumption | Change in assumption | Impact on scheme liabilities |
|---------------|----------------------------|------------------------------|
| Discount rate | increase/decrease by 0.25% | Decrease/increase by 4% |
| Inflation | increase/decrease by 0.25% | Decrease/increase by 1% |

Changes in the fair value of the defined benefit obligations are as follows:

| | CrawfordArnold & GreenGroup PensionScheme £'000 | Brocklehurst Pension Fund £'000 | Thomas HowellGroup Pension& LifeAssurance Scheme £'000 |
|---|--|---------------------------------------|---|
| As at 1 November 2016 | (10,321) | (32,963) | (156,292) |
| Current service cost | (69) | (147) | (625) |
| Interest expense | (259) | (849) | (4,033) |
| Employee contributions | - | (10) | (46) |
| Actuarial gains/(losses) | 268 | 504 | 2,637 |
| Benefits paid & administrative expenses | <u>1,899</u> | <u>3,343</u> | <u>8,568</u> |
| As at 31 October 2017 | (8,482) | (30,122) | (149,791) |
| Current service cost | (132) | (245) | (559) |
| Past service cost | (70) | - | (1,181) |
| Interest expense | (214) | (786) | (3,793) |
| Employee contributions | - | (10) | (31) |
| Actuarial gains/(losses) | (243) | (742) | 349 |
| Benefits paid & administrative expenses | <u>1,152</u> | <u>1,385</u> | <u>9,290</u> |
| As at 31 October 2018 | <u>(7,989)</u> | <u>(30,520)</u> | <u>(145,716)</u> |

**CRAWFORD & COMPANY ADJUSTERS (UK)
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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

21. EMPLOYEE BENEFIT OBLIGATIONS - continued

Changes in the fair value of plan assets are analysed as follows:

| | Crawford Arnold & Green Group Pension Scheme £'000 | Brocklehurst Pension Fund £'000 | Thomas Howell Group Pension & Life Assurance Scheme £'000 |
|---|--|---------------------------------------|--|
| As at 31 October 2016 | 12,806 | 39,334 | 165,121 |
| Expected return on plan assets | 327 | 1,032 | 4,307 |
| Actuarial (losses)/gains on plan assets | (454) | (341) | 1,973 |
| Employer contributions | 89 | 813 | 3,353 |
| Employee contributions | - | 10 | 46 |
| Benefits paid & administrative expenses | (1,899) | (3,343) | (8,568) |
| As at 31 October 2017 | 10,869 | 37,505 | 166,232 |
| Expected return on plan assets | 276 | 989 | 4,259 |
| Actuarial (losses)/gains on plan assets | (418) | (198) | (1,705) |
| Employer contributions | (37) | 750 | 3,173 |
| Employee contributions | - | 10 | 31 |
| Benefits paid & administrative expenses | (1,152) | (1,385) | (9,290) |
| As at 31 October 2018 | <u>9,538</u> | <u>37,671</u> | <u>162,700</u> |

Analysis of amount, which has been recognised in statement of other comprehensive income:

| | Crawford Arnold & Green Group Pension Scheme | | Brocklehurst Pension Fund | | Thomas Howell Group Pension & Life Assurance Scheme | |
|---|--|---------------|------------------------------|---------------|--|----------------|
| | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 |
| Effect of changes in demographic assumptions | 455 | (312) | 1,237 | (751) | 3,989 | (1,877) |
| Effect of changes in financial assumptions | (212) | (176) | (817) | 247 | (3,375) | (760) |
| Effect of experience adjustments | - | 220 | 322 | - | (963) | - |
| Return on plan assets (excluding interest income) | <u>418</u> | <u>454</u> | <u>198</u> | <u>341</u> | <u>1,705</u> | <u>(1,973)</u> |
| Actuarial loss/(gain) recognised in the statement of other comprehensive income | <u>661</u> | <u>186</u> | <u>940</u> | <u>(163)</u> | <u>1,356</u> | <u>(4,610)</u> |

**CRAWFORD & COMPANY ADJUSTERS (UK)
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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

21. EMPLOYEE BENEFIT OBLIGATIONS - continued

Following the Lloyds GMP equalisation case in October 2018 which ruled the treatment of men and women be brought in line for the schemes with guaranteed minimum pension, the majority of the defined benefit schemes will need to recalculate member benefits. The impact of GMP equalisation have been estimated at £1,181,000 for the Thomas Howell Group Pension Life Assurance Scheme and £70,000 in respect of the Crawford Arnold & Green Group Pension Scheme. These reserves have been included in past service cost.

The total contributions to the defined benefit plans in 2018 are expected to be £651,000 (2017: £4,262,000).

The contribution rates of each scheme were as follows:

| | CrawfordArnol d & Green Group Pension Scheme | | Brocklehurst Pension Fund | | Thomas Howell Group Pension & Life Assurance Scheme | |
|---|---|------|------------------------------|-------|---|-------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Contribution rate (as % of pensionable earnings) | - | - | 21.6% | 21.6% | 29.6% | 29.6% |
| Contribution rate (above) agreed until | 31/05/2022 | | 31/12/2022 | | 31/12/2022 | |

Nature and extent of risks arising from the financial instruments held by the schemes

It is a legal requirement that trustees of pension schemes have adequate internal controls. The Pensions Regulator has issued a Code of Practice on how schemes are expected to satisfy this requirement. Trustees must decide what internal controls are needed to ensure that the schemes are being well managed in accordance with the law and with the Trust Deeds and Rules.

The trustees have reviewed the risks in connection with the Schemes, and in particular, investments and funding. A risk analysis has been prepared and is subject to regular review.

There are no company-related investments (neither company financial instruments nor property nor assets occupied by the company) included in the scheme's assets at 31 October 2018 or at 31 October 2017.

The appointment of trustee directors to the fund is determined by the plan's trust documentation. In the ordinary course of business the trustee has no right to unilaterally wind up or otherwise augment the benefits due to members of the schemes. Based on these rights, any net surplus in the scheme is recognised in full.

**CRAWFORD & COMPANY ADJUSTERS (UK)
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**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

22. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

Crawford & Company (incorporated in USA) is regarded by the directors as being the company's ultimate parent company.

The immediate parent company and controlling party of the company is Crawford & Company Risk Services Limited, a company incorporated in the United Kingdom.

The smallest and largest group of which Crawford & Company Adjusters (UK) Limited is a member, and for which group financial statements are drawn up, is that headed by Crawford & Company, whose principal place of business is at 5335 Triangle Parkway NW, Peachtree Corners, GA 30092. The consolidated financial statements of this group are available to the public and may be obtained from the above address.

23. SHARE-BASED PAYMENT TRANSACTIONS

The charge in respect of share-based payment transactions included in the profit and loss account for the year is as follows. These amounts relate to shares in Crawford & Company, which are traded on the New York Stock Exchange.

| | 2018 £'000 | 2017 £'000 |
|----------------------------------|---------------|---------------|
| Total share-based payment charge | <u>518</u> | <u>543</u> |

During the year ended 31 October 2018, the Company had three types of share-based compensation plans, a share option plan, an executive share bonus plan, and an employee share bonus plan. The fair value of an equity award is estimated on the grant date without regard to service or performance conditions.

Share option plan

Crawford & Company has granted non-qualified and incentive stock options to key employees and directors employed by Crawford & Company Adjusters (UK) Limited. Stock options were granted to employees of Crawford & Company Adjusters (UK) Limited in 2016 2017 and in 2018. All stock options were for shares of Crawford & Company's Class A Common Stock ("CRDA"). Stock option awards were granted with an exercise price equal to the market price of the share at the date of grant. These stock options are subject to graded vesting over 3 years (33.33% each year) and have a typical life of ten years. The amount recognised in the income statement for this scheme was £119,833 (2017: £63,999).

Options Granted during 2018 and 2017:

| | 2018 | 2017 |
|-----------------------------|--------------|--------------|
| Granted | 90,025 | 89,248 |
| Weighted average fair value | <u>£2.05</u> | <u>£2.24</u> |

**CRAWFORD & COMPANY ADJUSTERS (UK)
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**NOTES TO THE FINANCIAL STATEMENTS - continued
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Executive stock bonus plan

The executive stock bonus plan has two components: the performance stock component and the restricted stock component.

Under the performance stock component, key employees of the Company are eligible to earn shares of CRDA upon the achievement of certain individual and corporate objectives. Stock grants are determined at the discretion of the Crawford & Company's Board of Directors, or the Board's Compensation Committee, and are subject to graded vesting over periods typically ranging from three to five years. Shares are not issued until the vesting requirements have lapsed. Dividends are not paid or accrued on unvested shares. The grant-date fair value of a performance share grant is based on the market value CRDA on the date of grant, reduced for the present value of any dividends expected to be paid on CRDA shares but not paid to holders of unvested performance shares. The amount recognised in the income statement for these plans was £281,260 (2017: £339,470)

Performance Shares granted during 2018 and 2017:

| | 2018 | 2017 |
|-----------------------------|---------------|---------------|
| Granted | 116,272 | 101,954 |
| Weighted average fair value | <u>£ 6.36</u> | <u>£ 7.26</u> |

Under the restricted share component of the executive share bonus plan, the Board of Directors of Crawford & Company may elect to issue restricted shares of share in lieu of, or in addition to, cash bonus payments to certain key employees of Crawford & Company Adjusters (UK) Ltd. Employees receiving these shares have restrictions on the ability to sell the shares. Such restrictions lapse ratably over vesting periods ranging from several months to five years. For grants of restricted shares, vested and unvested shares issued are eligible to receive non-forfeitable dividends if dividends are declared. The grant-date fair value of a restricted share grant is based on the market value of the share on the date of grant. The amount recognised in the income statement for this scheme was £12,213 (2017: £21,124).

Restricted Shares granted during 2018 and 2017:

| | 2018 | 2017 |
|-----------------------------|----------|--------------|
| Granted | - | 6,330 |
| Weighted-average fair value | <u>-</u> | <u>£6.33</u> |

**NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 October 2018**

Employee share bonus plan

Under the Crawford & Company U.K. Sharesave Scheme, eligible employees can elect to have up to £250 withheld from payroll each month to purchase shares at the end of a three-year withholding period. The purchase price of a share of stock is 85% of the market price of the stock at the beginning of the withholding period. Participating employees may cease payroll withholdings and/or request a refund of all amounts withheld before any shares are purchased. The fair value of a share option is equal to 15% (the employee discount) of the market price of a share of CRDA at the beginning of the withholding period. No adjustment is made to reflect the effect of any estimated dividends that the employees will not receive during the life of the share option since employees are credited with interest by a third party on their withholdings during the withholding period. The amount recognised in the income statement for this plan was £104,232 (2017: £118,494).

During 2018, a total of £63,033 (2017: 73,986) shares of CRDA were issued under the Sharesave Scheme. The weighted-average discount price paid for these shares was £4.71 (2017: £4.77).