Company number: 01787359

JLT Management Services Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

JLT Management Services Limited

Company number: **01787359**

Contents

JLT Management Services Limited

Company number: **01787359**

Company Information

Directors

M P Methley

AJ Croft

Company secretary

Marsh Secretarial Services Limited

Registered office

The St Botolph Building
138 Houndsditch
London
EC3A 7AW

JLT Management Services Limited

Company number: **01787359**

Strategic Report for the Year Ended 31 December 2019

The directors present their strategic report for JLT Management Services Limited ('the Company') for the year ended 31 December 2019.

Principal activities
Until 1 April 2019, the Company formed part of the Managed Services Division of JLT Group Holdings Limited (formerly Jardine Lloyd Thompson Group plc) ('the JLT Group'). On 1 April 2019, the JLT Group was acquired by Marsh & McLennan Companies, Inc ('MMC' or 'the Group').

During the year the Company held certain fixed assets on behalf of other Group companies and provided certain centralised management services to UK and Overseas Group subsidiary companies. The Company's income derives from management fees charged to UK and Overseas subsidiary companies of the Group.

Business review
Profit before taxation amounts to £4,239,068 (2018: £6,132,134).

The results of the Company for the year ended 31 December 2019 are set out in the financial statements on pages 13 to 50.

Going concern
On 1 May 2020, the trade, assets and liabilities of the Company, with the exception of its pension scheme assets and liabilities and its interest in lease contracts, were sold to Marsh Corporate Services Limited, a fellow group subsidiary. The pension scheme assets and liabilities of the Company were transferred to Marsh Services Limited, a fellow group entity, on 1 January 2020. The Company's lease contracts are being reassigned to other group companies but there are a number of these and the process is expected to be lengthy. For this reason the Company is expected to continue to be a going concern for the foreseeable future.

Key Performance Indicators (KPIs)
The directors of the Group manage the group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business.

Section 172 (1) of the Companies Act 2006 (the 'Act') Statement
The paragraphs below provide an explanation for how Directors have had regard for the matters set out in section 172(1)(a) to (f) of the Act when performing their duties, including how Directors have engaged with and considered the interests of stakeholders including UK employees, suppliers, customers and those in a principal business relationship with the Company.

From 1 April 2019, the Company became part of the Marsh & McLennan Inc. Group of Companies (the Group). As part of the Marsh & McLennan Inc. Group of companies, the Board is conscious of the Group's purpose, namely, to generate value for its shareholder and to ensure the sound and prudent management of the firm, with due regard for the interests of the Company´s other stakeholders, including clients, employees, suppliers and the wider community.

Shareholder
As a wholly owned subsidiary, the Board duly considers the views of its ultimate shareholder, Marsh & McLennan Companies Inc., and the interests of the Group as a whole as part of any major decisions and transactions undertaken by the Company.

Distributions to the Company´s shareholder are only considered after a full assessment of capital adequacy. Further information on dividends is set out on page 21 in the Notes to the Financial Statements. The Greater Good, which is the Group´s Code of Conduct, applies to all Directors and employees of the Company and it embodies the Group´s commitment to maintaining the highest level of ethical conduct and professional standards. These non-negotiable standards are outlined in the Greater Good, which emphasizes the importance of building trust with colleagues, clients and the wider community.

Section 172 (1) of the Companies Act 2006 (the 'Act') Statement (continued)

Clients
The Company is a service company. This includes paying non-payroll expenses on behalf of other group companies in the UK and being the named owner/lessee for property.

Employees
The Board recognises that, employees are key to the Company´s strength and success. Throughout 2019, and during preceding years, there was in place an Employee Consultative Forum which represented employees from all offices and lines of business in discussions of a more formal nature with executive management. This committee was used to consult with employees, specifically on the transfer of employees' contracts to another Group Company.

Community
The Company and Group as a whole, recognises that in a world facing increasing risk and uncertainty, supporting our communities is more important than ever before. To this end, the Group has established a committee, comprised of representatives from across its businesses in the UK, including a representative from Marsh, to focus on our Social Impact (formerly CSR) efforts in the UK. Given the Group´s expertise in risk, strategy and people, our social impact efforts are focused on 'building resilient communities through mentoring and disaster response and rebuilding'. By aligning its Social Impact programmes with the business priorities and experience, the Group is able to demonstrate its commitment to its communities in the UK while supporting the business. The Group partners with select strategic global non-profit organisations, including; the Cherie Blair Foundation for Women, Junior Achievement, Missing Maps and the British Red Cross in the UK and encourages colleagues to volunteer with its non-profit partners, for local causes that are important to them, during Global Volunteer Month and with their clients.

Suppliers
The Company is committed to ensuring that slavery and human trafficking is not taking place in any of its supply chains or any part of its business and reviews this on a regular basis. The Company reports on its supplier payment practices on a bi-annual basis. The Company´s latest results can be found at: https://check-payment-practices.service.gov.uk/report/19491.

Principal risks and uncertainties and financial risk management

The Company maintains a register of key risks that is regularly reviewed and updated by management. The principal risks identified are as follows:

Strategic and Operational Risks

Strategic Risks
Risks to the business model arising from changes in external events, insurance markets and customer behaviour as well as risks arising from growth strategies.

Mitigation
• Board review of strategic risks
• Strategic review of planning process
• Due diligence and risk assessment processes

Principal risks and uncertainties and financial risk management (continued)

Loss of Key Staff

Risks arising from the inability to retain key staff within the core business operations.

Mitigation

- Succession planning processes
- Effective appraisal and development programmes
- Robust contracts of employment

Business Interruption

Risk of business arising from a major external event.

Mitigation

- Dedicated business continuity management function
- Detailed business continuity policy and procedures
- Regular testing of business continuity plans

Loss of IT Environment

Risks arising from non-performance of an IT supplier, malicious act, cybercrime and staff not following IT policies and procedures.

Mitigation

- Detailed IT policy and procedures in place
- Strong governance procedures over IT outsourcing and service level agreements in place
- Monitoring of compliance with the Group IT security policy and service level agreements

Information Security

Risk of loss of records, breach of confidentiality or inadequate security measures.

Mitigation

- Limits of authority in place
- Information Security Policy
- Risk-based monitoring and reviews monitoring performed by Group Information Security Officer and Group Internal Audit

Emerging risk

Covid-19

On 11 March 2020, the World Health Organization declared the Coronavirus (Covid-19) a pandemic. As this continues to spread through contagion, it is likely to further intensify the disruptive impact on the global and UK economy and could adversely impact companies across a number of key financial and operational areas. As the Company's employees and pension scheme liabilities were transferred from the Company immediately after the end of the financial year and before the Covid-19 pandemic, any impact on the Company is expected to be minimal.

Political risk
Brexit
The directors have considered the key risks and impact to its business and operations in the event of a no-deal Brexit and have taken steps to mitigate these. The Company continues to collate activities within its lines of business and across functional areas to ensure the Company is Brexit ready and responsive to changing circumstances.

Approved by the Board on 14 December 2020 and signed on its behalf by:

....
A J Croft
Director

JLT Management Services Limited

Company number: **01787359**

Directors' Report for the Year Ended 31 December 2019

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2019.

Directors of the Company
The directors who held office during the year and up to the date of signing the financial statements were as follows:

G J Hurrell (resigned 31 December 2019)
M P Methley
B Viswanathan (resigned 30 April 2019)
A J Croft (appointed 31 December 2019)

There being no provision in the Company's Articles of Association for the retirement of directors by rotation, the present directors will continue in office.

The Company has put in place an indemnity in its Articles of Association to indemnify directors and officers of the Company against losses or liabilities sustained in the execution of their duties of office. The indemnity is a qualifying third party indemnity provision under s232 and s234 of the Companies Act 2006.

Dividends
The directors recommend a final dividend payment of £Nil (2018: £Nil) to be made in respect of the financial year ended 31 December 2019.

Going concern
On 1 May 2020, the trade, assets and liabilities of the Company, with the exception of its pension scheme assets and liabilities and its interest in lease contracts, were sold to Marsh Corporate Services Limited, a fellow group subsidiary. The pension scheme assets and liabilities of the Company were transferred to Marsh Services Limited, a fellow group entity, on 1 January 2020. The Company's lease contracts are being reassigned to other group companies but there are a number of these and the process is expected to be lengthy. For this reason the Company is expected to continue to be a going concern for the foreseeable future.

Subsequent events
Covid-19
On 11 March 2020, the World Health Organization declared the Coronavirus (Covid-19) a pandemic. Developments in the first quarter of 2020 have created significant uncertainty about the impact on the global economy and have resulted in significant impacts to the financial markets and asset values around the world. The Company considered the emergence and spread of Covid-19 to be a non-adjusting post balance sheet event.

Capital reduction
On 1 May 2020, the share capital of the Company was reduced by £1,999,000 by the cancellation and extinguishing of 1,999,000 issued ordinary shares of £1.00 each for no consideration.

Transfer of leases
During 2020 the Company agreed to transfer leases for the following properties to Marsh Corporate Services Limited; 45 Church Street, Birmingham; 35 Richmond Hill, Bournemouth; Fitzalan Court, Fitzalan Road, Cardiff; Westwood Park, Coventry; Bond House, The Bourse, Boar Lane, Leeds; Castle Heights, Nottingham; South Oak Way, Reading; Central Court, Orpington and 7 Lochside Avenue, Edinburgh. All are currently in the due diligence stage.

Sale of trade and assets
On 1 May 2020, the trade, assets and liabilities of the Company, with the exception of its pension scheme assets and liabilities were sold to Marsh Corporate Services Limited, a fellow group subsidiary. The pension scheme assets and liabilities of the Company were transferred to Marsh Services Limited, a fellow group subsidiary, on 1 January 2020.

Change in immediate parent company
On 1 May 2020, the immediate parent company changed from MMC UK Group Limited to Marsh Corporate Services Limited.

Reduction in share capital
On 1 May 2020, the Company reduced its share capital by cancelling and extinguishing 1,999,000 issued ordinary shares of £1.00 each.

Financial risk management
The financial risk management of the Company has been disclosed as part of the "Principal risks and uncertainties" note within the Strategic Report of this Annual Report.

Charitable donations
During the year the Company made charitable donations of £43,000 (2018: £215,803).

Employment of disabled persons
It is the policy of the Company to give full consideration to suitable applications for employment of disabled persons. Every effort is made, where employees of the Company become disabled, to retain them in their existing employment.

Employee involvement
The Company places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company.

Creditor payment policy
Prior to the acquisition of the JLT Group by MMC, the Company agreed payment terms with suppliers when it entered into contracts for the purchase of goods or services and, where possible, abided by those terms when it was satisfied that the supplier had provided the goods or services in accordance with the agreed terms and conditions.

Since the acquisition, payment of suppliers has been centralised for all UK operating companies of the Group, and is carried out by Marsh Corporate Services Limited and then recharged onto the Company by means of an inter-company recharge.

The Company took an average 27 days to pay its suppliers (2018: 27 days) prior to acquisition.

Recognition of the Defined Benefit Section
The Company has recognised on its balance sheet a proportion of the assets and liabilities of the defined benefit section of the JLT Group UK Pension Scheme. This amounted to a net liability of £163,182,000 (2018: £137,256,000) based on the position of the Company's agreed share at the transition date 31 December 2019.

JLT Management Services Limited

Company number: **01787359**

Directors' Report for the Year Ended 31 December 2019 (continued)

Statement of Disclosure of information to the auditors
So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and the directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Appointment of auditors
Following the acquisition of the JLT Group by MMC, PricewaterhouseCoopers LLP have tendered their resignation. Deloitte LLP were appointed as auditor in line with Section 485 of the Companies Act 2006.

Approved by the Board on 14 December 2020 and signed on its behalf by:

....
A J Croft
Director

JLT Management Services Limited

Company number: **01787359**

Statement of Directors' Responsibilities

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

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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 101 "Reduced Disclosure Framework" ('FRS101'). 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 apply them consistently;
- state whether applicable accounting standards, have been followed, subject to any material departures explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

JLT Management Services Limited

Company number: **01787359**

Independent auditor's Report to the members of JLT Management Services Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of JLT Management Services Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Independent auditor’s Report to the members of JLT Management Services Limited (continued)

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

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

We have nothing to report in respect of these matters.

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

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

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

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

Report on other legal and regulatory requirements.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
• the information given in the strategic report and the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
• the strategic report and the directors’ report have been prepared in accordance with applicable legal requirements.

JLT Management Services Limited

Company number: **01787359**

Independent auditor's Report to the members of JLT Management Services Limited (continued)

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

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report to you if, in our opinion:
• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
• the financial statements are not in agreement with the accounting records and returns; or
• certain disclosures of directors' remuneration specified by law are not made; or
• we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of this 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.

Claire Clough.

....
Claire Clough ACA (Senior Statutory Auditor)
For and on behalf of
Statutory Auditor
London, United Kingdom
14 December 2020

JLT Management Services Limited

Company number: **01787359**

Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Turnover	3	160,798	118,318
Administrative expenses		(162,965)	(124,746)
Other operating income	4	18,173	12,037
Operating profit	5	16,006	5,609
Interest receivable and similar income	6	-	10,490
Interest payable and similar expenses	7	(11,767)	(9,967)
Profit before taxation		4,239	6,132
Tax on profit	11	(10,464)	(2,104)
(Loss)/profit for the financial year		(6,225)	4,028

The above results were derived from continuing operations.

The notes on pages 17 to 50 form an integral part of these financial statements.

JLT Management Services Limited

Company number: **01787359**

Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
(Loss)/profit for the year		(6,225)	4,028
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment benefit obligations (net)	21	(35,997)	(17,204)
Deferred tax		6,125	2,943
		(29,872)	(14,261)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation losses		(175)	(64)
Total comprehensive expense for the year		(36,272)	(10,297)

The notes on pages 17 to 50 form an integral part of these financial statements.

JLT Management Services Limited

Company number: **01787359**

Balance Sheet as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Intangible assets	12	9,879	14,583
Intangible right of use assets	12	228	-
Tangible assets	13	29,910	39,893
Tangible right of use assets	13	179,847	-
		219,864	54,476
Current assets			
Debtors	15	240,535	504,101
Cash at bank and in hand		2,448	282
		242,983	504,383
Creditors: Amounts falling due within one year	16	(97,384)	(349,170)
Net current assets		145,599	155,213
Total assets less current liabilities		365,463	209,689
Creditors: Amounts falling due after more than one year			
Creditors	17	(203,401)	(38,881)
Provisions for liabilities	20	(697)	(681)
Retirement benefit obligations	21	(163,181)	(137,256)
Net (liabilities)/assets		(1,816)	32,871
Capital and reserves			
Called up share capital	23	2,000	2,000
Hedging reserves		-	175
Profit and loss account		(3,816)	30,696
Total shareholders' (deficit)/funds		(1,816)	32,871

The notes on pages 17 to 50 form an integral part of these financial statements.

The financial statements on pages 13 to 50 were approved by the Board on 14 December 2020 and signed on its behalf by:

....
A J Croft
Director

JLT Management Services Limited

Company number: **01787359**

Statement of Changes in Equity for the Year Ended 31 December 2019

	Called up share capital £ 000	Hedging reserves £ 000	Profit and loss account £ 000	Total shareholders' funds £ 000
At 1 January 2019	2,000	175	30,696	32,871
Profit for the financial year	-	-	(6,225)	(6,225)
Other comprehensive expense	-	(175)	(29,872)	(30,047)
Total comprehensive (expense)/income	-	(175)	(36,097)	(36,272)
Share based payments	-	-	1,585	1,585
At 31 December 2019	2,000	-	(3,816)	(1,816)

	Called up share capital £ 000	Hedging reserves £ 000	Profit and loss account £ 000	Total shareholders' funds £ 000
At 1 January 2018	2,000	239	42,650	44,889
Change in accounting policy in respect of adoption of IFRS9	-	-	(466)	(466)
At January 2018	2,000	239	42,184	44,423
Profit for the financial year	-	-	4,028	4,028
Other comprehensive expense	-	(64)	(14,261)	(14,325)
Total comprehensive expense	-	(64)	(10,233)	(10,297)
Amounts in respect of share based payments:				
• Capital contribution from the parent (net of tax)	-	-	4,886	4,886
• Return of capital contribution to the parent	-	-	(6,141)	(6,141)
At 31 December 2018	2,000	175	30,696	32,871

The notes on pages 17 to 50 form an integral part of these financial statements.

JLT Management Services Limited

Company number: **01787359**

Notes to the Financial Statements for the Year Ended 31 December 2019

1 General information

The Company is a private company limited by share capital incorporated in the United Kingdom and registered in England and Wales.

The address of its registered office is:
The St Botolph Building
138 Houndsditch
London
EC3A 7AW

2 Accounting policies

Summary of significant accounting policies and key accounting estimates and judgements
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101).

Going concern
These financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006, except for the following:

• financial assets and liabilities (including derivative financial instruments) are measured at fair value and
• defined benefit pension plans where plan assets are measured at fair value.

Having assessed the responses to their enquiries, including those related to Covid-19, the directors have no reason to believe that a material uncertainty exists that may cast significant doubt upon the ability of the Company to continue as a going concern.

The directors acknowledge the latest guidance on going concern. The directors have no plans for a change in the principal activities of the Company or any intention to liquidate the Company in the foreseeable future. They have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of twelve months after signing the financial statements and, therefore, continue to adopt the going concern basis in preparing the annual report and financial statements.

New standards, amendments and IFRIC interpretations
IFRS 16 is a new accounting standard that is effective for the year ended 31 December 2019 and has had a material impact on the Company’s financial statements - see Note 24. There are no other amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2019 which have a material impact on the Company’s financial statements.

Summary of disclosure exemptions
The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

1. IFRS 7 “Financial Instruments disclosures”.

2 Accounting policies (continued)

2. Paragraphs 91 to 99 of IFRS 13 “Fair value measurement” in respect of disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities.

3. Paragraph 30 and 31 of IAS 8 “Accounting policies, changes in accounting estimates and errors” in respect of the requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective.

4. IAS 24 “Related party disclosures” in respect of the disclosure of related party transactions entered into between two or more members of a Group.

5. IAS 7 “Statement of cash flows” in respect of the preparation of a statement of cash flow.

6. The following paragraphs of IAS 1 “Presentation of financial statements”:
i. Paragraph 79(a)(iv) of IAS 1 in respect of the disclosure of the number of shares outstanding at the beginning and at the end of the period,
ii. Paragraph 10(d) in respect of the disclosure of Statement of cash flows,
iii. Paragraph 10(f) in respect of the Balance Sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements,
iv. Paragraph 16 in respect of the statement of compliance with all IFRS,
v. Paragraph 38A in respect of the requirement for minimum of two primary statements, including cash flow statements,
vi. Paragraph 40A-D in respect of the requirement for a third balance sheet when an accounting policy is applied retrospectively or makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements,
vii. Paragraph 111 in respect of cash flow information which provides users of financial statements with a basis to assess the ability of the entity to generate cash and cash equivalents and the needs of the entity to utilise those cash flows and,
viii. Paragraph 134-136 in respect of capital management disclosures.

Turnover recognition
The recharges, as defined in the service level agreements, are recognised in the profit and loss account over the period in which they are earned.

Other operating income
Other operating income represent rental recharges to the subsidiaries of JLT Group for property expenses paid on their behalf by JLT Management Services Limited.

Interest Income
Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Foreign currency transactions and balances
Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Sterling, which is the Company's functional and presentational currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

Income & Deferred Income Tax
Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The charge for taxation is based on the result for the year at current rates of tax and takes into account deferred tax.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not recognised. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax is charged or credited to equity in respect of any item, which is itself either charged or credited directly to equity. Any subsequent recognition of the deferred gain or loss in the profit and loss account is accompanied by the corresponding deferred income tax.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Company controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

2 Accounting policies (continued)

Property, plant and equipment
Assets are stated at their net book amount (historical cost less accumulated depreciation). Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated to write off the cost of such assets over their estimated useful lives.

The principal rates of depreciation are as follows:
• Freehold land and buildings - between 0% and 2% per annum.
• Leasehold improvements - between 10% and 20% per annum or over the life of the lease.
• Furniture and office equipment - between 10% and 20% per annum.
• Computer hardware - between 20% and 100% per annum.
• Motor vehicles - between 25% and 33 1/3% per annum.

The depreciation rates are reviewed on an annual basis.

Intangible assets and amortisation
Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire them and bring them to use. These costs are amortised over their estimated useful lives. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Development costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Capitalised development costs are amortised over their estimated useful lives from the point when the asset is ready to use.

The rates of amortisation are between 14% and 100% per annum.

Capitalised employment contract payments
The Company makes payments to certain key employees in recognition of them signing a long-term employment contact, usually three to five years. These payments are capitalised as intangible assets since legal rights protect the expected benefits that the Company will derive from the contracts.

The asset recognised is then amortised over the duration of the underlying contract within salaries and associated expenses.

2 Accounting policies (continued)

Impairment of assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Impairment of financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Company measures credit loss allowances on financial assets measured at amortised cost on either of the following bases:

• Lifetime expected credit losses (ECLs): ECLs that result from all possible default events over the expected life of a financial instrument; and

• 12-month ECLs: The portion of lifetime ECLs that result from possible default events within the 12 months after the reporting date

The Company measures credit loss allowances on financial assets at an amount equal to lifetime ECLs,

When assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a financial asset to be in default (i.e. loss incurred) when:

• there is evidence that the amount is unlikely to be paid in full, without recourse by the Company to actions such as realising collaterals (if any is held); or

• the financial asset is connected to a business with whom we no longer have a relationship and is longer than 3 months past due.

2 Accounting policies (continued)

The actual credit loss experience is adjusted, if considered significant, by scalar factors by an increase or decrease in the impairment provision percentage applied to various ageing brackets to reflect the expected losses that the Company expects to incur.

Credit loss allowances on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Credit loss allowances relating to trade and other receivables, are presented separately in the profit and loss account. Impairment losses on financial assets other than trade and other receivables are presented as 'finance costs'. The Company writes off financial assets measured at amortised cost when the view is that the amount is non recoverable and that all reasonable efforts have been made to collect the outstanding amounts.

Provisions for liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Dividend distribution

Dividends proposed or declared after the balance sheet dates are not recognised as a liability at the balance sheet date. Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Share based compensation

The Company's previous ultimate parent company, JLT Group Holdings Limited (formerly Jardine Lloyd Thompson Group plc), operated a number of equity-settled share-based payment schemes under which the Company receives services from employees as consideration for equity instruments (options) of the ultimate parent company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to equity.

2 Accounting policies (continued)

The proceeds received net of any directly attributable transaction costs are credited, in the ultimate parent company, to share capital (at nominal value) and share premium (excess over nominal value) when the options are exercised.

Defined benefit pension obligation

The Company is a member of the Jardine Lloyd Thompson UK Pension Scheme ("the scheme"). The scheme has two sections: one providing defined benefits; and the other providing benefits on a defined contribution basis. The assets of the scheme are held in a trustee administered fund separate from the Company. With effect from 1st December 2006, the defined benefit section of the scheme was amended to cease future benefits accruals. Under the scheme, as amended, a participant's normal retirement benefit will be determined based on their service and compensation prior to 1st December 2006.

The latest finalised triennial actuarial funding valuation of the scheme was at 31st March 2017. This valuation was updated to 31st December 2015 by a qualified actuary employed by a fellow JLT Group subsidiary; JLT Benefit Solutions Limited. For the purposes of these annual updates, scheme assets are included at market value and scheme liabilities are measured on an actuarial basis using the projected unit credit method; these liabilities are discounted at the current rate of return of an AA corporate bond of equivalent currency and term. The defined benefit surplus or deficit is calculated as the present value of defined benefit obligations less the fair value of the plan assets and is included on the Company's balance sheet. Surpluses are included only to the extent that they are recoverable through reduced contributions in the future or through refunds from the scheme. The net interest on the defined benefit liability (asset) is included within finance costs. Actuarial gains and losses, including differences between the expected and actual return on scheme assets, are recognised through the statement of comprehensive income.

Derivatives and hedging

The Company only enters into derivative financial instruments in order to hedge underlying financial and commercial exposures.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged.

The Company designates derivatives as either a hedge of the fair value of a recognised asset or liability (fair value hedge), a hedge of a forecasted transaction or of the foreign currency risk on a firm commitment (cash flow hedge), or a hedge of a net investment in a foreign entity (net investment hedges).

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recorded in the profit and loss account, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

2 Accounting policies (continued)

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective, are recognised in equity. Where the forecasted transaction or firm commitment results in the recognition of a non-financial asset or of a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in equity are transferred to the profit and loss account and classified as income or expense in the same periods during which the hedged firm commitment or forecasted transaction affects the profit and loss account.

The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account.

When a hedging instrument expires or is sold, any cumulative gain or loss existing in equity at that time remains in the hedging reserves and is recognised in the profit and loss account when a hedge no longer meets the criteria for hedge accounting or when the committed or forecasted transaction ultimately occurs. When a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recognised in the profit and loss account.

Leases

Definition

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset (“the underlying asset”) for a period of time in exchange for consideration. Further, the contract must convey the right to the Company to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the Company has the right to:

- obtain substantially all the economic benefits from the use of the underlying asset, and;
- direct the use of the underlying asset (eg direct how and for what purpose the asset is used)

Initial recognition and measurement

The Company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the Company’s initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

Subsequent measurement

After the commencement date, the Company measures the lease liability by:

a) increasing the carrying amount to reflect interest on the lease liability;

b) reducing the carrying amount to reflect the lease payments made; and

c) re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

2 Accounting policies (continued)

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are included in finance cost in the profit and loss account, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.

The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

Lease modifications
If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.

The modification is accounted for as a separate lease if both:
a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The Company then accounts for these in line with the accounting policy for new leases. If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.

For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.

For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

Short term and low value leases
The Company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases). The Company has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.

2 Accounting policies (continued)

Lease payments on short term and low value leases are accounted for on a straight line basis over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the profit and loss account.

Sub leases
If an underlying asset is re-leased by the Company to a third party and the Company retains the primary obligation under the original lease, the transaction is deemed to be a sublease. The Company continues to account for the original lease (the head lease) as a lessee and accounts for the sublease as a lessor (intermediate lessor). When the head lease is a short term lease, the sublease is classified as an operating lease. Otherwise, the sublease is classified using the classification criteria applicable to Lessor Accounting in IFRS 16 by reference to the right-of-use asset in the head lease (and not the underlying asset of the head lease). After classification lessor accounting is applied to the sublease.

Critical accounting estimates and judgements
Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and judgements that have a significant effect on the carrying amounts of assets and liabilities are discussed below.

Fair value estimation
The fair value of financial instruments traded in active markets (such as available-for-sale) is based upon quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price.

The carrying value less impairment provision of trade receivables and payables is assumed to approximate their fair values. The fair values of financial liabilities are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

The fair value of acquired intangible assets is estimated based upon the present value of modelled related expected future cash flows.

Judgement may be applied in the determination of the growth rates, discount rates and the expected cash flows.

Impairment of assets
Investments in subsidiaries and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are not subject to amortisation are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, management judgement is used to evaluate which events or changes in circumstances may trigger an impairment. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount.

2 Accounting policies (continued)

The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in regional economies and operational and financing cash

Income taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of judgements.

The judgement used in determining the net cost or income for pension obligations is a discount rate based upon high quality corporate bonds.

Any changes in the judgements may impact the carrying amount of pension obligations, the charge in the profit and loss account, or statement of comprehensive income.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations.

In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions. As well as the discount rate, the inflation rates and life expectancy are also key assumptions.

To set the price inflation judgements the Company considers market expectations of inflation at the appropriate durations. Adjustments are made to these rates where necessary to reflect an inflation risk premium.

In determining the life expectancy judgements the Company considers the mortality assumptions used by the Trustees of the pension schemes in their latest actuarial valuations and also mortality guidance laid out by legislation. This enables the Company to determine a best estimate of life expectancy that is appropriate for accounting purposes.

3 Turnover

The analysis of the Company's turnover for the year from continuing operations is as follows:

	2019 £ 000	2018 £ 000
Rest of the World	3,648	7,100
Europe	151,908	105,041
North America	5,242	6,177
	160,798	118,318

4 Other operating income

The analysis of the Company's other operating income for the year is as follows:

	2019 £ 000	2018 £ 000
Rental income	15,340	9,586
Sundry Income	2,833	2,451
	18,173	12,037

5 Operating profit

Arrived at after charging/(crediting)

	2019 £ 000	2018 £ 000
Depreciation and amortisation expense (excluding right-of-use assets)	9,289	11,000
Depreciation expense – right-of-use assets – land and buildings	10,921	-
Depreciation expense – right-of-use assets – equipment	372	-
Depreciation expense – right-of-use assets – computer hardware	2,239	-
Amortisation expense – right-of-use assets – computer software	154	-
Impairment expenses – right-of-use assets	1,829	-
Foreign exchange gains	(244)	(30)

6 Interest receivable and similar income

	2019 £ 000	2018 £ 000
Interest receivable - Group	-	10,490
	-	10,490

Following the acquisition of the JLT Group by MMC, there is a project underway to settle all remaining intercompany balances and, therefore, the treatment of the balances has been aligned with MMC policies.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

7 Interest payable and similar expenses

	2019 £ 000	2018 £ 000
Finance leases	41	232
Interest expense on lease liabilities	7,890	-
Interest on other loans	162	6
Group interest and similar charges payable	21	6,754
Pensions scheme finance costs	3,653	2,975
	11,767	9,967

Following the acquisition of the JLT Group by MMC, there is a project underway to settle all remaining intercompany balances and, therefore, the treatment of the balances has been aligned with MMC policies.

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019 £ 000	2018 £ 000
Wages and salaries	36,288	42,713
Social security costs	5,514	5,884
Pension costs, defined benefit scheme	370	378
Pension costs, defined contribution scheme	2,339	2,436
Share-based payment expenses	2,832	3,075
Other staff costs	2,037	2,815
	49,380	57,301

The monthly average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	2019 No.	2018 No.
Administration and support	420	475

JLT Management Services Limited

Company number: **01787359**

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £ 000	2018 £ 000
Remuneration	2,084	782
Awards receivable in the form of shares under a long term incentive scheme	84	-
Company contributions to money purchase pension schemes	21	5
	2,189	787

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2019 No.	2018 No.
Received or were entitled to receive shares under long term incentive schemes	2	3
Exercised share options	-	3
Accruing benefits under money purchase pension scheme	1	1

In respect of the highest paid director:

	2019 £ 000	2018 £ 000
Remuneration	1,811	421
Company contributions to money purchase pension schemes	21	-
Awards receivable in the form of shares under a long term incentive scheme	80	-
	1,912	421

The highest paid director exercised no share options during the year. The highest paid director received no restricted stock unit share awards during the year.

JLT Management Services Limited

Company number: **01787359**

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

10 Auditor's remuneration

	2019 £ 000	2018 £ 000
Audit of the Company	115	28
Audit of other group companies	326	327
Audit of the financial statements	441	355

11 Tax on profit

	2019 £ 000	2018 £ 000
Current tax expense		
Current year	6,628	3,074
Adjustments in respect of prior years	642	1,265
	7,270	4,339
Deferred tax (income)/ expense		
Origination and reversal of temporary differences	1,945	(874)
Reduction in tax rate	289	(387)
Adjustments in respect of prior years	960	(974)
	3,194	(2,235)
Total tax expense	10,464	2,104

Following the Budget announcement on 11 March 2020, the UK corporation tax rate (from 01 April 2020) will now be maintained at 19% and will no longer reduce to 17% as previously legislated. However, since this change occurred after the balance sheet date, deferred tax balances at 31 December 2019 have been recognised at 17%, taking into consideration when temporary differences are expected to reverse.

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2019 £ 000	2018 £ 000
Profit before taxation	4,239	6,132
Tax calculated at UK Corporation Tax rate of 19% (2018: 19%)	805	1,165
Non-deductible expenses	7,925	786
Withholding tax	72	146
Adjustments in respect of prior years	1,602	291
Effect of reduction in UK tax rate	289	(387)
Rate difference on current year movement	(229)	103
Total tax charge	10,464	2,104

JLT Management Services Limited

Company number: **01787359**

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

12 Intangible assets

	Right of use assets - software £ 000	Computer Software £ 000	Capitalised Employment Costs £ 000	Total £ 000
Cost or valuation				
At 1 January 2019	-	60,788	178	60,966
Transfer to right of use at 1 January 2019	1,468	(1,468)	-	-
Additions	-	1,225	-	1,225
Transfer to tangible assets	(993)		-	(993)
Disposals	-	-	(178)	(178)
At 31 December 2019	475	60,545	-	61,020
Amortisation				
At 1 January 2019	-	46,265	118	46,383
Transfer to right of use at 1 January 2019	181	(181)	-	-
Amortisation charge	154	4,582	60	4,796
Transfer to tangible assets	(88)	-	-	(88)
Amortisation eliminated on disposals	-	-	(178)	(178)
At 31 December 2019	247	50,666	-	50,913
Carrying amount				
At 31 December 2019	228	9,879	-	10,107
At 31 December 2018	-	14,523	60	14,583

In 2019, computer software includes £1,760,000 (2018: £3,439,000) costs in respect of internal development.

JLT Management Services Limited

Company number: **01787359**

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

13 Tangible assets

	Right of use assets - land & building £ 000	Right of use assets - equipment £ 000	Right of use assets - computer hardware £ 000	Leasehold improvements £ 000
Cost or valuation				
At 1 January 2019	-	-	-	34,449
Recognition of right of use asset at 1 January 2019	185,997	917	-	-
Transfer to right of use at 1 January 2019	-	-	7,060	-
Additions	-	-	-	139
Transfer between classes	-	-	-	(310)
Transfer to intangible assets	-	-	993	-
Disposals	-	-	-	-
At 31 December 2019	185,997	917	8,053	34,278
Depreciation				
At 1 January 2019	-	-	-	6,571
Transfer to right of use at 1 January 2019	-	-	807	-
Charge for the year	10,921	372	2,239	3,212
Impairment	226	-	467	-
Transfer to intangible assets	-	-	88	-
At 31 December 2019	11,147	372	3,601	9,783
Carrying amount				
At 31 December 2019	174,850	545	4,452	24,495
At 31 December 2018	-	-	-	27,878

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

13 Tangible assets (continued)

	Furniture, fittings & equipment £ 000	Motor vehicles £ 000	Leasehold WIP £ 000	Computer hardware £ 000	Total £ 000
Cost or valuation					
At 1 January 2019	5,960	34	-	13,042	53,485
Recognition of right of use asset at 1 January 2019	-	-	-	-	186,914
Transfer to right of use at 1 January 2019	-	-	-	(7,060)	-
Additions	87	-	1,114	759	2,099
Transfer between classes	-	-	310	-	-
Transfer to intangible assets	-	-	-	-	993
Disposals	-	-	-	(45)	(45)
At 31 December 2019	6,047	34	1,424	6,696	243,446
Depreciation					
At 1 January 2019	3,819	34	-	3,168	13,592
Transfer to right of use at 1 January 2019	-	-	-	(807)	-
Charge for the year	488	-	-	948	18,180
Impairment	-	-	-	1,136	1,829
Transfer to intangible assets	-	-	-	-	88
At 31 December 2019	4,307	34	-	4,445	33,689
Carrying amount					
At 31 December 2019	1,740	-	1,424	2,251	209,757
At 31 December 2018	2,141	-	-	9,874	39,893

The Company adopted IFRS 16 ‘Leases’ on 1 January 2019 resulting in the recognition of right-of-use assets. See note 24 for further details.

14 Deferred tax

Deferred tax movement during the year:

	At 1 January 2019 £ 000	Recognised in income £ 000	Recognised in equity £ 000	At 31 December 2019 £ 000
Revaluation of property, plant and equipment	(804)	257	-	(547)
Provisions	859	(646)	-	213
Other items	367	(367)	-	-
Pension benefit obligations	23,610	684	3,447	27,741
Share-based payment	5,510	(3,122)	(2,388)	-
Financial assets at fair value through profit or loss	(36)	-	36	-
Net tax assets/(liabilities)	29,506	(3,194)	1,095	27,407

Deferred tax movement during the prior year:

	At 1 January 2018 £ 000	Recognised in income £ 000	Recognised in equity £ 000	At 31 December 2018 £ 000
Revaluation of property, plant and equipment	(369)	(435)	-	(804)
Provisions	926	(67)	-	859
Other items	-	367	-	367
Pension benefit obligations	22,318	971	321	23,610
Share-based payment	2,418	1,400	1,692	5,510
Financial assets at fair value through profit or loss	(49)	-	13	(36)
Net tax assets/(liabilities)	25,244	2,236	2,026	29,506

The total current and deferred income tax credited to equity during the year is as follows:

	At 31 December 2019 £000
Pensions	6,125
Share based payments	330
Fair values - foreign exchange	36
	6,491

Deferred tax timing differences have been provided for at the tax rates substantively enacted at the balance sheet date, which will apply when the timing differences are expected to reverse.

Following the Budget announcement on 11 March 2020, the UK Corporation Tax rate (from 1 April 2020) will be maintained at 19% and no longer reduced to 17% as previously legislated.

Since this change occurred after the balance sheet date, deferred tax balances at 31 December 2019 have been recognised at 17%.

If the amended tax rate had been used, the deferred tax asset would have been £3.224m higher.

15 Debtors

	2019 £ 000	2018 £ 000
Amounts due from Group undertakings	197,067	453,997
Derivative financial instruments (see note 22)	-	210
Prepayments	4,174	9,328
Other receivables	1,080	6,970
Deferred tax (see note 14)	27,407	29,505
Other tax	10,807	4,091
	240,535	504,101

Following the acquisition of the JLT Group by MMC, there is a project underway to settle all remaining intercompany balances and, therefore, the treatment of the balances has been aligned with MMC policies.

16 Creditors: Amounts falling due within one year

	2019 £ 000	2018 £ 000
Amounts due to Group undertakings	59,064	298,050
Other payables	14,834	26,981
Lease liabilities (see note 18)	11,762	-
Accrued expenses	9,687	18,339
Social security and other taxes	2,037	4,262
Finance lease liability (see note 18)	-	1,538
	97,384	349,170

Following the acquisition of the JLT Group by MMC, there is a project underway to settle all remaining intercompany balances and, therefore, the treatment of the balances has been aligned with MMC policies.

17 Creditors: Amounts falling due after more than one year

	2019 £ 000	2018 £ 000
Other payables	-	33,562
Lease liabilities (see note 18)	203,401	-
Finance lease liability (see note 18)	-	5,319
	203,401	38,881

18 Lease liabilities

The Company adopted IFRS 16 'Leases' on 1 January 2019 resulting in the recognition of lease liabilities. See note 24 for further details.

The maturity analysis of the future undiscounted cash flows associated with lease liabilities is as follows:

	2019 £ 000
Due within 1 year	18,995
Due in 1-2 years	18,583
Due in 2-5 years	50,368
Due in more than 5 years	200,630

On adoption of IFRS 16 on 1 January 2019, the Company's obligations under finance leases in respect of several sale and finance leaseback contracts were reclassified to lease liabilities. Future commitments are included within the undiscounted cash flows associated with lease liabilities (see above). The finance lease disclosures for the year ended 31 December 2018 were as follows:

The present value of finance lease liabilities is as follows:	2018 £ 000
Within 1 year	1,538
Between 1 and 2 years	1,580
Between 2 and 3 years	1,622
Between 3 and 4 years	1,665
Between 4 and 5 years	452
	6,857

The minimum lease payments included in finance lease liabilities is as follows:	2018 £ 000
Within 1 year	1,684
Between 1 and 2 years	1,713
Between 2 and 3 years	1,713
Between 3 and 4 years	1,713
Between 4 and 5 years	458
	7,281
Future finance charges	(424)
Present value of finance lease liabilities	6,857

19 Equity-settled share based payments

The JLT Group's equity-settled share-based payments comprised the JLT Long Term Incentive Plan (2004/2013), Senior Executive Share Scheme and the Sharesave Schemes.

Due to the acquisition of the JLT Group by MMC on 1 April 2019, the schemes became fully vested.

The schemes which the Company participated in were as follows:

JLT Long Term Incentive Plan (2013)

The JLT Group operated the Long Term Incentive Plan (LTIP) for Executive Directors and persons discharging managerial responsibility (PDMRs). The scheme was renewed in 2013. Awards under the scheme are granted in the form of nil-priced options and are satisfied using market-purchased shares. The awards vest in full or in part depending on satisfaction of the performance conditions. The awards had a 3 year performance period and had a 10 year life from the date of grant. Options attract discretionary dividend equivalents (DDEs) that were rolled up and paid, in cash, on vesting. DDEs were paid to option holders only on the options that have vested. Forfeited or lapsed options are not eligible to DDEs and the DDEs that have accrued on the balance sheet are released to equity at the date of forfeiture.

For post-2013 LTIP awards, the performance conditions are based on the JLT Group's basic EPS growth (excluding exceptional items and impairment charges) over three years. For the LTIP awarded from 2014 to 2016, the JLT Group's Remuneration Committee decided that the EPS should be adjusted for the impact from the net cost of the US investment on a discretionary basis. For the 2017 and 2018 awards, the JLT Group's Remuneration Committee reviewed the approach of excluding the impact of US investment costs when calculating the EPS performance and concluded it was now appropriate to cease making further adjustments.

Senior Executive Share Scheme

The JLT Group operated a Senior Executive Share Scheme for senior management and employees. Awards under the scheme were granted in the form of nil-priced options and are satisfied using market-purchased shares. The majority of awards had no specific performance criteria attached, other than the requirement that employees remain in employment with the JLT Group. Certain awards were granted with specific performance targets defined for the individual executives. In general these require targets for revenue and profit growth to be met over the vesting period. The awards have a 10 year life from the date of grant. Options granted prior to 1 January 2014 attracted unconditional DDEs throughout the vesting period, this means that DDEs were paid to the option holders as and when dividends were paid to ordinary shareholders there was no clawback on the dividends in the event of a forfeiture of the options. The options granted post 1 January 2014 attracted DDEs that were rolled up and paid in cash, on vesting. The JLT Group amended the plan rules on the 8 June 2016. From that date, all vested options were no longer eligible to DDEs.

All options granted under the share option schemes were conditional upon the employees remaining in the JLT Group's employment during the vesting period of the option, the actual period varies according to the scheme in which the employee participates. In calculating the cost of options granted, anticipated lapse rates for the JLT Long Term Incentive Plan (2004/2013) and the Senior Executive Share Scheme were nil as both were issued with no cost to the employee.

19 Equity-settled share based payments (continued)

All the outstanding share awards did vest on the completion of the Marsh & McLennan companies' acquisition of the JLT Group and this revision to the expected vesting date was reflected in the amortisation charge in the profit and loss account for 2018.

The following table illustrates the number and weighted average exercise prices (WAEP) of share options exercised during the year, the outstanding options and the remaining contractual life:

		2019		
	Exercised	Weighted average exercise (sale)	Options outstanding at 31st December	Remaining contractual life
	Number	price (p)	Number	Years
JLT Long Term Incentive Plan (2013)	(405,299)	1,915.00	-	-
Senior Executive Share Scheme	(269,533)	1,915.00	-	-
Total	(674,832)	1,915.00	-	-

		2018		
JLT Long Term Incentive Plan (2013)	(37,809)	1,390.06	405,299	8.06
Senior Executive Share Scheme	(107,471)	1,302.30	269,533	8.36
Total	(145,280)	1,325.14	674,832	8.18

20 Provisions for liabilities

	Onerous contracts £ 000	Total £ 000
At 1 January 2019	681	681
Additional provisions	44	44
Provisions utilised during the year	(28)	(28)
At 31 December 2019	697	697

Onerous contracts principally relate to property lease commitments.

21 Pension and other schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £2,339,315 (2018: £2,814,102).

Jardine Lloyd Thompson UK Pension Scheme

The Company is a member of the Jardine Lloyd Thompson UK Pension Scheme (“The Scheme”). The scheme has two sections: one providing defined benefits; and the other providing benefits on a defined contribution basis. The assets of the scheme are held in a trustee administered fund separate from the Company. With effect from 1st December 2006, the defined benefit section of the Scheme was amended to cease future benefits accruals. Under the Scheme, as amended, a participant’s normal retirement benefit will be determined based on their service and compensation prior to 1st December 2006. The latest finalised triennial actuarial funding valuation of the Jardine Lloyd Thompson UK Pension Scheme was at 31st March 2017. This valuation was updated to 31st December 2019 by a qualified actuary employed by a fellow Group subsidiary: JLT Benefit Solutions Limited.

The pension costs accrued for the year are comprised as follows:

	UK Scheme	
	2019 **£ 000**	**2018** **£ 000**
Defined contribution schemes	2,710	2,814
	2,710	**2,814**

The principal actuarial assumptions used were as follows:

	UK Scheme	
	2019 **£ 000**	**2018** **£ 000**
Rate of increase in salaries	n/a	n/a
Rate of increase of pensions in payment (a)	2.66%	3.15%
Discount rate (b)	2.06%	2.80%
Inflation rate	2.72%	3.25%
Revaluation rate for deferred pensioners	2.02%	2.25%
Expected return on plan assets (b)	5.82%	5.82%
Mortality - life expectancy at age 65 for male members: (c)		
Aged 65 at 31st December (years)	23.40	21.60

21 Pension and other schemes (continued)

(a) In respect of the UK scheme, where there are inflation linked benefits, the inflation increases are limited to a maximum of 5% per annum (some are limited to 3% per annum).

(b) In line with IAS 19 (Revised) the expected return on scheme assets assumption is the same as the discount rate assumed for the liabilities.

(c) Mortality assumptions for the UK scheme are the standard tables S3PxA_L with scaling factor of 99% for male pensioners, of 97% for female pensioners, of 102% for male non-pensioners and of 99% for female non-pensioners, Year of Birth, no age rating, projected using CMI_2018 (Sk=7.5;A=0) converging to 1.25% p.a.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation	
	Change in assumptions	**Change to obligation**
Discount rate	decrease of 0.1%	increase of 1.8%
Inflation rate	increase of 0.1%	increase of 1.1%
Life expectancy	increase of 1 year	increase of 3.6%

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet. Note this sensitivity is for defined benefit obligations only and does not consider the impact that changes in assumptions may have on the assets, in particular the assets held in respect of the insured pensioners.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

	2019 £ 000	2018 £ 000
Defined benefit obligation		
Present value of funded obligations	(575,303)	(494,865)
Fair value of plan assets	412,122	357,609
Net liability recognised in the balance sheet	**(163,181)**	**(137,256)**

21 Pension and other schemes (continued)

	2019 £ 000	2018 £ 000
Reconciliation of defined benefit liability		
Opening defined benefit liability	(137,256)	(128,147)
Pension expense	(4,023)	(3,341)
Employer contributions	14,095	13,800
Pension expense GMP equalisation (exceptional)	-	(2,364)
Total (loss)/gain recognised in reserves	(35,997)	(17,204)
Net liability recognised in the balance sheet	**(163,181)**	**(137,256)**

	2019 £ 000	2018 £ 000
Reconciliation of defined benefit obligation		
Opening defined benefit obligation	(494,865)	(534,206)
Pension expense GMP equalisation (exceptional)	-	(2,364)
Interest cost	(13,625)	(12,626)
Gains/(losses) on defined benefit obligation	(83,425)	16,513
Actual benefit payments	16,612	37,818
Closing defined benefit obligation	**(575,303)**	**(494,865)**

	2019 £ 000	2018 £ 000
Reconciliation of fair value of assets		
Opening value of assets	357,609	406,059
Expected return on assets	9,973	9,651
Actuarial (losses)/gains	47,428	(33,717)
Employer contributions	14,095	13,800
Actual benefit payments	(16,612)	(37,818)
Expenses	(371)	(366)
Closing value of assets	**412,122**	**357,609**

21 Pension and other schemes (continued)

The analysis of the fair value of the scheme assets is as follows:

	2019		2018	
	Value £000s	**Value %**	**Value £000s**	**Value %**
Equities	88,444	21%	72,567	20%
Equity-linked LDI	77,576	19%	70,929	20%
Diversified Growth funds	70,871	17%	63,575	18%
Buy - in asset	168,375	41%	148,350	41%
Cash	6,856	2%	2,188	1%
Total market value	**412,122**	**100%%**	**357,609**	**100%**

Other assets include hedge funds and property. The schemes do not hold cash as a strategic investment and cash balances at 31st December represent working balances.

	2019 £ 000	2018 £ 000
Reconciliation of return on assets		
Expected return on assets	9,973	9,651
Actuarial (losses)/gains	47,428	(33,717)
Actual return on assets	**57,401**	**(24,066)**

The amounts recognised in the consolidated profit and loss account are as follows:

	2019 £ 000	2018 £ 000
Pension expense GMP equalisation (exceptional)	-	(2,364)
Expenses	(371)	(365)
Total (included within salaries and associated expenses)	**(371)**	**(2,729)**
Interest cost	(13,625)	(12,626)
Expected return on assets	9,973	9,651
Total (included within finance costs)	**(3,652)**	**(2,975)**
Expense before taxation	**(4,023)**	**(5,704)**

21 Pension and other schemes (continued)

The amounts included in the profit and loss account are as follows:

	2019 £ 000	2018 £ 000
Gains/(losses) on defined benefit obligation	(83,425)	16,513
Actuarial (losses)/gains	47,428	(33,717)
Total actuarial (losses)/gains recognised	**(35,997)**	**(17,204)**
Cumulative actuarial losses recognised	**(266,223)**	**(230,226)**

	2019	2018
Difference between the actual and expected return on plan assets		
- amount (£'000)	47,428	(33,717)
- expressed as a percentage of the plan assets	11.51%	(9.43%)
Experience losses on plan liabilities		
- amount (£'000)	5,566	20,790
- expressed as a percentage of the present value of the plan liabilities	(0.97%)	(4.20%)

The expected employer contributions for the year ending 31st December 2020 are as follows :

	2020 £000s
Company contribution to the UK scheme	17,787
Total expected contributions	**17,787**

22 Derivatives financial instruments

The Company has the following financial assets and liabilities measured at fair value:

	2019		2018	
	Current	Non-current	Current	Non-current
	£000	£000	£000	£000
Assets	-	-	163	47
Liabilities	-	-	-	-

Derivatives included forward foreign exchange contracts entered into to manage currency risk.

The forward currency contracts were measured at fair value, which was determined by utilising internal and external models. These models maximise the use of observable market data. The key assumptions include the exchange rates for GBP to INR (Great Britain Pounds to Indian Rupees).

23 Called up share capital

Allotted, called up and fully paid shares

		2019		2018
	No.	£	No.	£
Ordinary shares of £1 each	2,000,000	2,000,000	2,000,000	2,000,000
	2,000,000	2,000,000	2,000,000	2,000,000

On 1 May 2020, the Company reduced its share capital by cancelling and extinguishing 1,999,000 issued ordinary shares of £1.00 each.

24 Changes in accounting policy

Application of new and revised International Financial Reporting Standards (IFRS)

IFRS 16 'Leases'
The Company adopted IFRS 16 on 1 January 2019.

IFRS 16 'Leases' sets out the principles for the recognition, measurement and presentation of leases, for both lessees and lessors. IFRS 16 superseded IAS 17 'Leases' and several related interpretations when it became effective on 1 January 2019. The date of initial application for the Company was 1 January 2019 and so IFRS 16 applies for accounting periods beginning on or after that date.

24 Changes in accounting policy (continued)

Impact on financial statements

Definition of a lease
IFRS 16 distinguishes between leases and service contracts based on whether there is control of the use of an identified asset. Control is considered to exist if there is:
• The right to obtain substantially all of the economic benefits from the use of an identified asset; and
• The right to the direct use of that asset.

The Company applies the practical expedient in IFRS 16 not to separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component.

Lessee accounting
A right-of-use asset and lease liability are recognised in the statement of financial position. The lease liability is measured at the present value of future lease payments, excluding variable lease payments that do not depend on an index or a rate. The right-of-use asset for a particular lease is usually similar in amount to the corresponding lease liability on inception of the lease, but their carrying amounts diverge through the life of the lease as the asset is depreciated on a straight-line basis whereas interest arises on the lease liability and so is higher in earlier years.

The Company elects on a lease-by-lease basis whether to recognise a right-of-use asset and a lease liability for leases of low-value assets. Where an election is made to not recognise a right-of-use asset and a lease liability for these leases, the lease payments are instead expensed on a straight-line basis over the lease term.

Depreciation of the right-of-use assets is presented within ‘administrative expenses’ in the profit and loss account. Interest expense on the lease liabilities is presented within ‘interest payable and similar expenses’. Lease expenses for leases of low-value assets are presented within ‘administrative expenses’. Variable lease payments are generally expensed as incurred, along with irrecoverable VAT and presented within ‘administrative expenses’.

The impact for lessees on IAS 17 lease classifications is as follows:
• Finance leases:
  Finance leases in place at 31 December 2018 were reclassified from property, plant and equipment to right-of-use assets and from obligations under finance leases to lease liabilities.
• Operating leases:
  A right-of-use asset and lease liability were brought on to the balance sheet (except for certain leases of low value assets). Depreciation and interest replace the IAS 17 rental charge (which was included in ‘administrative expenses’).

Areas of management judgement relate to the accounting for lease extension and termination options (considered on a case-by-case basis) and the discount rate used to measure the lease liability.

The Company applies lessee accounting in respect of several office buildings in the UK and rental of equipment.

24 Changes in accounting policy (continued)

Lessor accounting
The Company does not undertake arrangements as a lessor other than as a sub lessor. Lessor accounting as required by IFRS 16 is substantively unchanged from that required by IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those in IAS 17. However, a sub lessor classifies the sublease by reference to the right-of-use asset arising from the head lease, such that subleases are more likely to be classified as finance leases.

Transition
The Company adopted IFRS 16 by applying the modified retrospective approach, which requires the cumulative effect of initial application of IFRS 16 to be recognised as an adjustment to the opening balance of retained earnings on the 1 January 2019, without restating prior years.

The Company applied the following practical expedients on the 1 January 2019 date of initial application of IFRS 16:
• The right-of-use asset was recognised at an amount equal to the lease liability at the date of initial application, adjusted by the amount in the balance sheet immediately before the date of initial application for any prepaid rent or accrued lease payments.
• Applied a single discount rate to a portfolio of leases with similar characteristics
• Applied the exemption not to recognise liabilities for leases with less than 12 months of lease term remaining.
• Excluded initial direct costs for the measurement of right-to-use assets at the date of initial application.
• Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
• The right-of-use asset corresponding to existing operating leases was, as an alternative to performing an impairment review, reduced by the amount of the related onerous lease provisions immediately before the date of initial application.

The effect of adopting IFRS 16 as at 1 January 2019 was as follows:

	Property £ 000	Equipment £ 000	Computer hardware £ 000	Computer software £ 000	Total £ 000
Assets					
Right-of-use assets	185,997	917	6,253	1,287	194,454
Tangible assets	-	-	(6,253)	-	(6,253)
Intangible assets	-	-	-	(1,287)	(1,287)
Debtors	(3,185)	-	-	-	(3,185)
	182,812	917	-	-	183,729

24 Changes in accounting policy (continued)

	Property £ 000	Equipment £ 000	Computer hardware £ 000	Computer software £ 000	Total £ 000
Liabilities					
Lease liabilities	(218,737)	(917)	(5,627)	(1,230)	(226,511)
Finance lease liabilities	-	-	5,627	1,230	6,857
Creditors falling due within 1 year	1,790	-	-	-	1,790
Creditors falling due after more than 1 year	34,135	-	-	-	34,135
	(182,812)	(917)	-	-	(183,729)

There was no adjustment required to opening equity.

The incremental borrowing rate applied to lease liabilities recognised in the balance sheet at the date of initial application is in the range of 1.6% to 3.5%.

The lease liabilities at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	£ 000
Operating lease commitments as at 31 December 2018	309,188
Adjustments to 2018 operating lease commitments reported previously	(8,831)
Effect of discounting future lease payments	(80,606)
	219,751
Finance lease liabilities as at 31 December 2018	6,857
Outside the scope of IFRS 16	(97)
Lease liabilities at 1 January 2019	226,511

25 Parent and ultimate parent undertaking

The Company's immediate parent undertaking at year end was MMC UK Group Limited. On 1 May 2020 it changed to Marsh Corporate Services Limited.

On 1 April 2019 the Company's ultimate parent company, JLT Group Holdings Limited (formerly Jardine Lloyd Thompson Group plc), was acquired by Marsh & McLennan Companies, Inc which became the Company's ultimate parent undertaking at that date.

For the period ended 31 December 2019 the smallest and largest group in which the results of the Company are consolidated is Marsh & McLennan Companies, Inc. The consolidated financial statements of Marsh & McLennan Companies, Inc are available to the public and may be obtained from:

Companies House
Crown Way
Cardiff
CF14 3UZ

and also from:

The Company Secretary
MMC Treasury Holdings (UK) Limited
1 Tower Place West
Tower Place
London
EC3R 5BU

26 Subsequent events

Covid-19
On 11 March 2020, the World Health Organization declared the Coronavirus (Covid-19) a pandemic. Developments in the first quarter of 2020 have created significant uncertainty about the impact on the global economy and have resulted in significant impacts to the financial markets and asset values around the world. The Company considered the emergence and spread of Covid-19 to be a non-adjusting post balance sheet event.

Capital reduction
On 1 May 2020, the share capital of the Company was reduced by £1,999,000 by the cancellation and extinguishing of 1,999,000 issued ordinary shares of £1.00 each for no consideration.

Transfer of leases
During 2020 the Company agreed to transfer leases for the following properties to Marsh Corporate Services Limited; 45 Church Street, Birmingham; 35 Richmond Hill, Bournemouth; Fitzalan Court, Fitzalan Road, Cardiff; Westwood Park, Coventry; Bond House, The Bourse, Boar Lane, Leeds; Castle Heights, Nottingham; South Oak Way, Reading; Central Court, Orpington and 7 Lochside Avenue, Edinburgh. All are currently in the due diligence stage.

26 Subsequent events (continued)

Sale of trade and assets
On 1 May 2020, the trade, assets and liabilities of the Company, with the exception of its pension scheme assets and liabilities were sold to Marsh Corporate Services Limited, a fellow group subsidiary. The pension scheme assets and liabilities of the Company have been transferred to Marsh Services Limited, a fellow group subsidiary, on 1 January 2020.

Change in immediate parent company
On 1 May 2020, the immediate parent company changed from MMC UK Group Limited to Marsh Corporate Services Limited.

Reduction in share capital
On 1 May 2020, the Company reduced its share capital by cancelling and extinguishing 1,999,000 issued ordinary shares of £1.00 each.