Company number: 05523613

JLT Reinsurance Brokers Limited

Annual report and financial statements
For the year ended 31 December 2019

JLT Reinsurance Brokers Limited

Company number: **05523613**

Contents

JLT Reinsurance Brokers Limited

Company number: **05523613**

Company Information

Directors

J H Nash

J Boyce

D Pedlow

Company secretary

Marsh Secretarial Services Limited

Registered office

The St Botolph Building
138 Houndsditch
London
EC3A 7AW

JLT Reinsurance Brokers Limited

Company number: **05523613**

Strategic Report for the Year Ended 31 December 2019

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

Principal Activities
The principal activity of the Company is reinsurance broking and it is authorised and regulated by the Financial Conduct Authority (FCA).

Business Review
Until 1 April 2019, JLT Reinsurance Brokers Limited formed part of the Reinsurance division of 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'). Subsequently, on 2 December 2019, JLT Insurance Group Holdings Limited, the Company's immediate parent undertaking at that date, was acquired by Marsh Limited, another entity in the MMC Group.

On 2 December 2019, the business of the French branch of the Company was sold to a fellow group company, Guy Carpenter & Company SAS. The French branch of the Company is no longer trading.

Turnover declined by 24% to £83m (2018: £108.9m), contributing to a loss for the year of £11.3m (2018: profit of £12.3m). The operating result for 2019 is a £18.0m loss, compared to a £9.1m profit for the 2018 financial year. The Company has been impacted by £21.7m of additional costs following the acquisition by MMC, including additional staff costs.

The results of the Company for the year ended 31 December 2019 are set out in the financial statements on pages 18 to 58 and are also considered in the Key Performance Indicators section of this Strategic Report.

Going concern
On 1 January 2020, the trade, assets and liabilities of the Company, with the exception of its pension scheme assets and liabilities and its investment in JLT Advisory Limited and JLT Re France SARL, were sold to Marsh Limited, an indirect parent company of the Company. The pension scheme assets and liabilities of the Company have been transferred to Marsh Services Limited, a fellow group entity. The Company is now non-trading and it is the intention that an application is made for deregulation and deauthorisation to the FCA in the near future. As the Company is now non-trading and once deregulated/deauthorised it will not be able to recommence trade in its historical activities, these financial statements have been prepared on a basis other than going concern.

Key Performance Indicators (KPIs)

The Company has selected revenue per employee, trading profit per employee, salary to turnover ratio, indirect costs to turnover ratio and trading margin as KPIs for monitoring its performance. The objective is to monitor trends and achieve optimum trading performance both in terms of revenue growth and operational efficiency.

Revenue per employee - defined as turnover (fees and commissions) divided by total staff numbers (average for the year).

Trading profit per employee - defined as turnover less operating expenses divided by total staff numbers (average for the year).

Salary to turnover ratio - defined as direct salary costs divided by turnover (fees and commissions).

Indirect costs to turnover ratio - defined as indirect costs (operating expenses excluding direct salary costs) divided by turnover (fees and commissions).

	Unit	2019	2018
Turnover per employee	£'000	277.9	312.0
Trading profit per employee	£'000	(60.1)	26.0
Salary to turnover ratio	%	56.7	55.3
Indirect costs to turnover ratio	%	38.8	32.1

Turnover per employee has reduced during 2019 as a result of changes in the business, including the acquisition of the Company by MMC. Trading profit has been impacted by £21.7m of additional costs following the acquisition of the JLT group by MMC and staff retention costs. Excluding these costs for 2019 and the equivalent costs for 2018, trading profit per employee reports a profit of £12,411 and indirect costs make up a smaller portion of total costs in 2019 at 12.7% (2018: 27.8%).

The salary costs to turnover ratio has remained relatively consistent at 56.7% (2018: 55.3%), the reduction in headcount from 349 to 299 impacting on turnover for the financial year.

Strategic Report for the Year Ended 31 December 2019 (continued)

Section 172 (1) of the Companies Act 2006 (the "Act") Statement
The Wates Corporate Governance Principles for Large Private Companies serves as the framework to demonstrate 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. Reporting against the Wates Principles is included in the Corporate Governance Statement below.

Corporate Governance Statement
For the year ended 31 December 2019, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies, which can be found at www.wates.co.uk/who-we-are/corporate-governance

The Directors have set out below an explanation of how the Wates Principles have been applied during the 2019 year.

Principle One – Purpose and leadership
"An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose."

Purpose
The Company forms part of the Marsh & McLennan Inc. Group of Companies (the Group), a global professional services provider, specialising in the areas of risk, strategy and people. These services are delivered through four businesses, namely Marsh, Mercer, Guy Carpenter and Oliver Wyman.

The Company, is part of the Marsh/Guy Carpenter business which provides reinsurance broking services to clients.

Strategy
2019 was a year of significant change and transition for the Company and the Group as a whole, following the completion of the acquisition by the MMC of the JLT Group on 1 April 2019.

The principal strategic focus of the Board during 2019 was to oversee plans to complete the successful integration of the Company with Guy Carpenter and Marsh, due to be completed in 2020.

Principle Two – Composition
"Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company."

Chairman
The Company has an executive Chairman who is also the Chief Executive Officer of the Company. The Chairman is responsible for the ethical leadership and effective operation of the Board, including establishing the framework and procedures to govern the work of the Board and to support Directors in the discharge of their legal and regulatory obligations. The terms of reference for the Board set out the matters reserved for the decision of the Board. The Board operates in line with the principles of good conduct set out in MMC Group's ethical policy, "The Greater Good".

Balance and Diversity and Size and Structure
At 31 December 2019, the Board comprised 5 directors including two non-executive directors.

Board members have a range of skills, expertise and experience in, amongst other things, the fields of insurance law and reinsurance broking. Of the Board of 5, as at 31 December 2019, none of the directors were female. We acknowledge that currently there is a lack of gender diversity on the Board.

Strategic Report for the Year Ended 31 December 2019 (continued)

This is a challenge faced by the industry as a whole. The MMC Group, of which the Company is a member, is committed to increasing the diversity of the Organisation as a whole.

The Non-Executive Directors are responsible for bringing independent and objective judgment to deliberations, constructively challenging and monitoring performance of executive management and obtaining assurance that the Company´s legal and regulatory requirements have been met.

The Directors have equal voting rights when making decisions, except the Chairman, who has a casting vote. All Directors have access to the advice and services of the Company Secretary and may, if they wish, take professional advice at the Company’s expense.

As at 31 December 2019, the duties of the Board were executed partially through an Audit and Risk Committee, of which the Non-Executive Directors were members.

Effectiveness
Directors have access to induction materials and, in addition, they are able to keep their skills, knowledge and familiarity with the Company up to date by meeting with senior management, and by attending Group events and appropriate external seminars and training courses.

Principle Three – Director Responsibilities
“The board and individual directors should have a clear understanding of their accountability and responsibilities. The board´s policies and procedures should support effective decision-making and independent challenge.”

Accountability
The Board has established a standalone governance framework, including clearly documented terms of reference for the Board. The terms of reference set out the Board’s responsibility for leading and directing the affairs of the Company, with consideration for the interests of other stakeholders and there are clear delegations of authority in place between the Board and its Audit and Risk Committee. In 2019, the Board met a total of 6 times and, in addition to its usual areas of focus, key discussion areas concerned transactions relating to the integration of the business with Marsh/Guy Carpenter, Brexit and the culture of the Organisation.

The Board has reserved certain principal matters for its own approval.

Committees
The Board has delegated certain governance responsibilities to its Audit and Risk Committee, which has documented terms of reference. The membership of this committee included Non-Executive Directors who provide independent challenge and support effective decision making.

Integrity of Information
The Board receives regular reports on business and financial performance, key risks and opportunities, strategy, operational matters, market conditions, human resources, legal, compliance, and regulatory matters.

Key financial information is collated by the Group´s centralised finance function from its various accounting systems. The Group’s finance function has the appropriate independence, expertise and qualifications to ensure the integrity of this information and is provided with the necessary training to keep up to date with regulatory changes. Financial information is externally audited by Deloitte LLP, the Company’s External Auditor, on an annual basis, and financial controls are routinely reviewed by the Group’s centralised internal audit function. Other key information is prepared by the relevant business and internal functions, which are also subject to periodic reviews by the internal audit function.

Strategic Report for the Year Ended 31 December 2019 (continued)

The Company's Audit and Risk Committee is responsible for monitoring the effectiveness of Group´s internal financial control systems that identify, assess, manage and monitor financial risks, and the effectiveness of other operational and regulatory controls within the business. During the year ended 31 December 2019, the Committee received regular reports from the Finance Function, Compliance Function and MMC Internal Audit on control related findings and it monitored Executive Management's responses to these to ensure recommendations for remediation were implemented.

Principle Four - Opportunity and Risk

"A Board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establish oversight for the identification and mitigation of risks."

Opportunity

On 1 January 2020, the trade, assets and liabilities of the Company, excluding its pension scheme assets and liabilities and its investment in JLT Advisory Limited and JLT Re France SARL, were sold to Marsh Limited.

Risk

The Audit and Risk Committee assists the Board in fulfilling its responsibility for determining the Company´s risk appetite and for ensuring that sound risk management and internal control systems are maintained.

The Audit and Risk Committee met 6 times in 2019 and its membership comprised two Non-Executive Directors. It kept under review, amongst other things, the Company's top risks including its strategic risks, the risk management performance of key business areas and conduct risks, as well as oversight of the effectiveness of the Company's risk management framework and operational controls. It reports upon these to the Board regularly, or escalates significant risks to the Board on an ad hoc basis.

Principle Five – Remuneration

"A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company."

Policies

Staff members of the Company are employed by Marsh Services Limited, a fellow subsidiary in the MMC Group and are covered by the Marsh Remuneration Committee.

The Remuneration Committee is not a formal Committee of the Company's Board but a mechanism to provide regional governance and oversight of remuneration matters within the businesses. The Remuneration Committee is chaired by the Chairman of the Board, and is responsible for ensuring that the Remuneration Policy and compensation practices of the Company are consistent with, and promote, sound and effective risk management, are in line with business strategy, objectives, values, culture, and the long term interests of the Company, encourage fair treatment of clients, and include measures to avoid conflicts of interest.

The Company produces a Gender Pay Gap Report on an annual basis, which is carefully scrutinised and discussed by the Board prior to publication. The Company is committed to continue improving the Company´s Gender Pay Gap. For further details, please refer to the Company´s latest Gender Pay Gap Report which can be found at https://www.marsh.com/uk/about-marsh/gender-pay-gap.html

Principle Six – Stakeholder Relationships and Engagement

"Directors should foster effective stakeholder relationships aligned to the company´s purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions."

Strategic Report for the Year Ended 31 December 2019 (continued)

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. The Chairman of the Board and the Executive Directors provide the primary channel of communication between the Company, its shareholder and the wider Group.

Distributions to the Company´s shareholder are only considered after a full assessment of capital adequacy and the Company's ability to continue as a going concern into the foreseeable future to ensure investment in the future growth of the Company, balanced with stable and sustainable returns to the shareholder. Further information on dividends is set out in the Directors' Report.

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 ethical conduct and professional standards. These non-negotiable standards are outlined in the Greater Good, which emphasises the importance of building trust with colleagues, clients and the wider community.

Clients
The Company is committed to ensuring all customers are treated fairly and that client interest is considered as part of decision making at every level within the Company including decisions to launch any new product or service.

Employees
The Board recognises that, employees are key to the Company´s strength and success. The Board and the Executive team are committed to ensuring high levels of employee engagement.

Throughout 2019, and during preceding years, the Company had 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 TUPE Transfer of employees contracts to another Group company.

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

The Group and the Company are committed to ensuring a safe and healthy workplace and working environment for employees, contractors and visitors by providing adequate welfare facilities and maintaining suitable plant and safe systems of work.

Community
The Company, and the 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 of the Company, 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 & 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 and their clients.

Strategic Report for the Year Ended 31 December 2019 (continued)

Suppliers
The Group monitors its relationship with its suppliers on a regular basis and is committed to ensuring that slavery and human trafficking is not taking place in any of the Company's supply chains or any part of its business.

Principal risks and uncertainties and financial risk management
On an on-going basis, and in conjunction with the Company's indirect parent holding, Marsh Limited, management profiles the significant risks, both operational and strategic, faced by the Company and reviews the effectiveness of risk management controls including loss prevention and recovery planning.

The principal risks identified are as follows:

<u>*Strategic and Operational Risks*</u>

Emerging risk
Covid-19
On 11 March 2020, the World Health Organisation 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 the Company across a number of key financial and operational areas. The Company has taken a considered approach to minimising and managing the impact of the pandemic and has well formulated contingency plans, which continue to evolve as changes to circumstances occur.

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

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 to 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, cyber crime 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

Conduct of Business Risks

Errors & Omissions
Risks arising from non-compliance with operation procedures in place across the Company, or alleged negligence in provision of services/advice.

Mitigation
• Common operating procedures and compliance policy
• Continuous training in errors & omissions avoidance
• Formal and regular process of compliance monitoring
• Strong procedural and systems controls, including workflow management
• Insurance

Litigation
Litigation risk can arise from a number of different sources such as:
• M&A litigation (e.g. breach of Sale & Purchase Agreement)
• Breach of Employment Law
• Tortious liability arising from the recruitment of individuals where appropriate recruitment controls are not adhered to

Mitigation
• Dedicated Group Legal and Group M&A functions with oversight responsibilities
• Continuous staff training in HR policies and procedures
• Formal recruitment processes based upon HR and legal advice

Regulatory Sanctions/Financial Crime
Risks arising from non-compliance with or misinterpretation of local and international regulations and failure to meet regulatory standards.

Mitigation
• Regular and ongoing quality and compliance audits
• Operating procedures and compliance policy
• Continuous staff training programmes
• Central risk and compliance resources
• Insurance

Strategic Report for the Year Ended 31 December 2019 (continued)

Financial Risks

Capital Risk and Liquidity
Risks arising from an inability to maintain minimum regulatory capital and ensure access to sufficient working capital appropriate to the volume of trading.

Mitigation
• Regular updates to Board on current and projected regulatory capital base requirements
• Sensitivity / Stress testing of regulatory capital base
• Regular cash flow forecasting
• Regular impairment testing of loans receivable from fellow Group subsidiaries
• Dividend planning
• Quarterly reviews of the Company balance sheet

Foreign Currency
Exposures arising from significant foreign currency transactions, mainly US dollar earnings.

Mitigation
• Matching the estimated foreign currency denominated liabilities with assets denominated in the same currency
• Regular reviews and sensitivity analysis

Whilst the above policy may mitigate the impact of the major volatility in exchange rates to which the company has material exposures, it cannot eliminate the long term effects of permanent movements in rates.

Price Risk
The Company does not have a material exposure to commodity price risk.

Counterparty Risk
Risk of loss of own cash, fiduciary funds, investments and deposits, derivative assets and trade receivables as a result of the failure of key counterparties

Mitigation
• Board approved investment and counterparty policy to limit the concentration of funds and exposure with any one party
• Active management and monitoring of counterparty limits, financial strength and credit profile of key counterparties
• Regular review by Board and Risk & Audit Committee of counterparty limits, ratings, utilisation and compliance with applicable regulation
• Formal and regular review of trading partners

Strategic Report for the Year Ended 31 December 2019 (continued)

Defined Benefit Pension Scheme
Risk of adverse impact of the balance sheet and profit and loss account as a consequence of increase in the Defined Benefit Pension Scheme deficit.

Mitigation
• Regular monitoring and reporting of scheme asset performance liability positions.
• Appropriate scheme investment strategy and diversification.
• Triennial actuarial valuations and regular trustee funding updates.
• Agreed deficit funding plan.
• Regular review of long term de-risking strategy.
• Regular scheme membership data verification.
• Effective independent trustee governance.
• Regular review of employer contract.

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 16 November 2020 and signed on its behalf by:

....
J Boyce
Director

JLT Reinsurance Brokers Limited

Company number: **05523613**

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.

Financial Risk Management
The financial risk management of the Company has been disclosed in the principal risks and uncertainties and financial risk management section within the Strategic Report of this document.

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:

J H Nash (appointed 17 May 2019)

J Boyce (appointed 28 November 2019)

D Pedlow (appointed 9 December 2019)

S M Grant (resigned 18 January 2019)

K A Harrison (resigned 26 April 2019)

N J Moss (resigned 30 April 2019)

R C Howard (resigned 8 May 2019)

J A Aggett (resigned 10 May 2019)

E M Flanagan (Non-Executive) (resigned 1 May 2020)

J T Young (Non-Executive) (resigned 1 May 2020)

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 maintains appropriate directors' and officers' liability insurance in respect of legal actions against its directors.

Dividends
Final dividends of £Nil were recommended by the directors and paid during the year (2018: £Nil).

Charitable donations
During the year, the company made charitable donations of £Nil (2018: £6,790).

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.

Diversity and inclusion

The Company embraces a diverse and inclusive culture. The directors believe that, in order to deliver the best solutions to clients, the Company's workforce should reflect the local community in which it operates.

Modern slavery act

The Company, as part of the MMC Group, has a commitment to conducting business in a responsible and ethical way, in accordance with its Code of Conduct, 'The Greater Good'. The Company is also committed to fulfilling its obligations under the Modern Slavery Act 2015. In support of this, the Company has a communications programme to raise awareness amongst colleagues to ensure that they are mindful of the risks of modern day slavery.

Disclosure of information to the auditors

So far as the directors are aware, there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information.

Appointment of auditors

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

Approved by the Board on 16 November 2020 and signed on its behalf by:

....

J Boyce

Director

JLT Reinsurance Brokers Limited

Company number: **05523613**

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have been elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

JLT Reinsurance Brokers Limited

Company number: **05523613**

Independent auditor's report to the members of JLT Reinsurance Brokers Limited

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of JLT Reinsurance Brokers 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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework”, and applicable law); 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
- the related notes 1 to 27.

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.

Independent auditor's report to the members of JLT Reinsurance Brokers Limited (continued)

Emphasis of matter – Financial statements prepared other than on a going concern basis
We draw attention to note 2 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Other Information
The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, 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 Statement of Directors' Responsibilities in respect of the financial statements, 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.

JLT Reinsurance Brokers Limited

Company number: **05523613**

Independent auditor's report to the members of JLT Reinsurance Brokers Limited (continued)

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

We have nothing to report in respect of these matters.

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

Claire Clough.

....
Claire Clough ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

16 November 2020

JLT Reinsurance Brokers Limited

Company number: **05523613**

Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Turnover	3	83,103	108,885
Administrative expenses		(101,074)	(99,816)
Operating (loss)/profit	4	(17,971)	9,069
Interest receivable and similar income	5	4,831	3,463
Interest payable and similar charges	6	(237)	(956)
(Loss)/profit before tax		(13,377)	11,576
Tax on (loss)/profit	10	2,069	771
(Loss)/profit for the year		(11,308)	12,347

The above results were derived from continuing operations.

The notes on pages 22 to 58 form an integral part of these financial statements

JLT Reinsurance Brokers Limited

Company number: **05523613**

Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
(Loss)/profit for the year		(11,308)	12,347
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post employment benefit obligations (net)	23	(1,274)	(609)
Current and deferred tax	16	217	12
Items that may be reclassified subsequently to profit or loss			
Fair value gains/(losses) on cash flow hedges	4	10,094	(13,412)
Deferred tax	16	(1,716)	2,321
Total comprehensive (loss)/income for the year		(3,987)	659

The notes on pages 22 to 58 form an integral part of these financial statements

JLT Reinsurance Brokers Limited

Company number: **05523613**

Balance Sheet as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Intangible assets	11	4,612	5,843
Tangible assets	12	10	13
Investments	13	74	70
		4,696	5,926
Non-current assets			
Debtors	14	2,324	5,127
Current assets			
Debtors	15	92,515	93,547
Cash at bank and in hand	17	303,001	187,152
		395,516	280,609
Creditors: Amounts falling due within one year			
Creditors	18	(323,484)	(213,092)
Net current assets		72,032	67,517
Total assets less current liabilities		79,052	78,570
Creditors: Amounts falling due after more than one year			
Creditors	19	(13,255)	(8,720)
Retirement benefit obligations	23	(5,776)	(4,858)
Provisions	20	(912)	(3,581)
Net assets		59,109	61,411
Capital and reserves			
Called up share capital	21	1	5,877
Share premium		-	13,729
Hedging reserves		-	(8,378)
Profit and loss account		59,108	50,183
Shareholders' funds		59,109	61,411

Approved by the Board on 16 November 2020 and signed on its behalf by:

....
J Boyce
Director

The notes on pages 22 to 58 form an integral part of these financial statements

JLT Reinsurance Brokers Limited

Company number: **05523613**

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

	Share capital £ 000	Share premium £ 000	Hedging reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2019	5,877	13,729	(8,378)	50,183	61,411
Loss for the year	-	-	-	(11,308)	(11,308)
Other comprehensive income/(loss)	-	-	8,378	(1,057)	7,321
Total comprehensive income	-	-	8,378	(12,365)	(3,987)
Share capital reduction	(5,876)	(13,729)	-	19,605	-
Share-based payment transactions	-	-	-	1,685	1,685
At 31 December 2019	1	-	-	59,108	59,109

	Share capital £ 000	Share premium £ 000	Hedging reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2018 (Reported)	5,877	13,729	2,713	37,347	59,666
Change in accounting policy in respect of adoption of IFRS 9	-	-	-	(307)	(307)
At 1 January 2018 (Restated)	5,877	13,729	2,713	37,040	59,359
Profit for the year	-	-	-	12,346	12,346
Other comprehensive expense	-	-	(11,091)	(597)	(11,688)
Total comprehensive income	-	-	(11,091)	11,749	658
Share-based payment transactions	-	-	-	1,394	1,394
At 31 December 2018	5,877	13,729	(8,378)	50,183	61,411

The notes on pages 22 to 58 form an integral part of these financial statements

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 and domiciled in the United Kingdom. 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' (FRS101).

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

• financial assets measured at fair value through other comprehensive income and certain financial assets and liabilities (including derivative financial instruments) which are measured at fair value.
• defined benefit pension plans where plan assets are measured at fair value.

The trade, assets and liabilities of the Company were sold to fellow group subsidiaries/indirect parent companies on 1 January 2020. As a result of the sales these financial statements have been prepared on a basis other than going concern.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review, which forms part of the Strategic Report.

The Company meets its day-to-day working capital requirements from corporate cash balances. The current economic conditions create uncertainty particularly over (a) the level of demand for the Company's services; (b) the exchange rate between sterling and foreign currencies; and (c) the Company's cost base. However, as the trade and assets of the Company were sold on 1 January 2020, the impact of the current economic conditions are not expected to have a significant impact on the Company.

New standards, amendments and IFRIC interpretations
IFRS 16 'Leases' applies for accounting periods beginning on or after 1 January 2019. It 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.

2 Accounting policies (continued)

Following a review, the Company does not act as a lessee or lessor or legally hold any leases as defined in IFRS 16 in its name. However, the Company may incur an expense in relation to property or equipment which is legally leased by a fellow group subsidiary. The fellow group subsidiary will apply IFRS 16 in respect of these leases.

Therefore, there are no new accounting standards, 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. 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.

2 Accounting policies (continued)

7. Paragraphs 134(d-f) and 135(c-e) of IAS 36 “Impairment of assets” in respect of assumptions involved in estimating recoverable amounts of cash generating units containing goodwill or intangible assets with indefinite useful lives and management’s approach to determining these amounts.

8. The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

Exemption from preparing group accounts

The Company is a wholly owned subsidiary of JLT Insurance Group Holdings Limited and its ultimate parent was Marsh & McLennan Companies, Inc at 31st December 2019. It is included in the consolidated financial statements of Marsh & McLennan Companies, Inc, which are publicly available. Therefore, the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

Revenue recognition

Revenue comprises both commission and fees for the services undertaken to place and administer contracts of insurance and for other related services. Revenue may comprise a combination of fees, commissions and other forms of variable consideration. The transaction price considers all of the elements for each contract and applies constraints to variable consideration based on the past performance of similar contracts.

Where past performance has been volatile and has little predictive value, the constraint applied can be significant. Where appropriate revenue is deferred to account for the possibility of a cancellation or a refund liability. Performance obligations are assessed on the basis of the specific arrangements in the contract, or where such is not defined, on the basis of each separate and distinct obligation for which a market value can be ascribed.

The Company satisfies some performance obligations at a point in time, and others over time where the customer is receiving a simultaneous benefit, or the Company has a contractual right to payment for the work both performed and transferred to the client.

For contracts where the revenue is expected to be collected more than 1 year from its recognition and is not an estimate of a variable amount, consideration is given to the time value of money. Where relevant the deemed interest is recognised as a component of finance income.

Where the value of revenue is beyond the control of the Company and it cannot be estimated reliably, it will not be recognised until the amount is known with reasonable certainty. In these cases any associated costs are expensed as incurred.

Incremental costs to obtain a contract and contract fulfilment costs are capitalised and amortised to profit or loss on a systematic basis to match the recognition of revenue as the service is delivered to the client. Such costs are capitalised only where the Company expects to recover these costs, and, in the case of incremental costs to obtain a contract, where the amortisation period of the asset is more than 1 year.

2 Accounting policies (continued)

Additionally, in respect of contract fulfilment costs, these costs must relate directly to the contract, generate assets used to satisfy the contractual performance obligations, and do not qualify to be recognised as an asset under other accounting standards.

Assets recognised on the Company's balance sheet arising from the capitalisation of incremental costs to obtain a contract and contract fulfilment costs are presented as part of contract assets.

Insurance broking related services.
Revenue may comprise a combination of fees, commissions and other forms of variable consideration. Where the contract specifically identifies the performance obligations then revenue is recognised accordingly.

Where there is no separate arrangement, revenue is considered to be wholly related to the placement activity and recognised at the later of the policy inception date, or the date on which the placement is complete and confirmed. Where there are separate arrangements or where other performance obligations are separate and distinct from placement, revenue is deferred to cover the provision of services that are more than administrative in nature and that are separate and distinct. In the main these post-placement performance obligations relate to the provision of claims related services. Contract modifications are treated on a cumulative catch-up basis or as a new contract depending on the circumstances in each case.

A deferral of revenue is made to cover the likelihood of contract cancellation. Fulfilment costs, which mainly represent the direct costs incurred from appointment or renewal instruction to the point at which placement is confirmed, are amortised in full when the placement revenue is recognised.

Revenue deferrals and fulfilment costs are mainly calculated on a portfolio basis, with estimates made based on past history.

Incremental costs to obtain a contract are capitalised where they can be directly identified and are expected to be recovered.

Other services
These are mainly fee-based arrangements and revenue is recognised in line with the distinct and separate performance obligations in the contract.

Fulfilment and other incremental costs to obtain the contract are capitalised where they are expected to be recovered and amortised as the revenue is recognised for each specific performance obligation.

Fees and other income receivable are recognised in the period to which they relate and when they can be measured with reasonable certainty

Investment Income
Investment income arises from the holding of cash and investments relating to fiduciary and own corporate funds and is recognised on an accrual basis.

2 Accounting policies (continued)

Foreign currency transactions and balances
Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

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 the 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.

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

2 Accounting policies (continued)

Investment in subsidiaries
Investments in subsidiaries are held at cost less accumulated impairment losses.

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:
• Furniture and office equipment - between 10% and 20% per annum.

The depreciation rates are reviewed on an annual basis

Intangible assets and amortisation
Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Goodwill is not subject to amortisation but is tested for impairment.

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. Historically, these payments were capitalised as intangible assets as legal rights protect the expected benefits that the Company will derive from the contract. The asset recognised was amortised over the duration of the underlying contract within salaries and associated expenses.

The balance in this account was reclassified after the acquisition of the JLT Group by MMC during the year and is now recognised in debtors, aligning with the MMC treatment of these contracts.

Other intangible assets
For acquisitions completed after 1st January 2004, the business acquired is reviewed to identify assets that meet the definition of an intangible asset per IAS 38. Examples of such assets include customer contracts, expectations of business renewal and contract related customer relationships. These assets are valued on the basis of the present value of future cash flows and are amortised to the profit and loss account over the life of the contract or their estimated economic life.

The current maximum estimated economic life is fifteen years.

2 Accounting policies (continued)

Computer software
Acquired computer software licences 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 useful lives from the point when the asset is ready to use.

Impairment of non-financial 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).

Insurance broking receivables and payables
Insurance brokers act as agents in placing the insurable risks of their clients with insurers and, as such, are not liable as principals for amounts arising from such transactions. In recognition of this relationship, debtors from insurance broking transactions are not included as an asset of the Company. Other than the receivable for fees and commissions earned on a transaction, no recognition of the insurance transaction occurs until the Company receives cash in respect of premiums or claims, at which time a corresponding liability is established in favour of the insurer or the client. In certain circumstances, the Company advances premiums, refunds or claims to insurance underwriters or clients prior to collection. These advances are reflected in the balance sheet as part of trade receivables.

Trade receivables
Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non current assets

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the Trade receivables.

2 Accounting policies (continued)

Cash at bank and in hand
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade payables
Trade Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

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.

Defined benefit pension obligation
Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

2 Accounting policies (continued)

Defined contribution pension obligation
A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and the Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid into publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Financial assets
On initial recognition, a financial asset is measured at fair value plus, for an instrument not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition. Trade receivables without a significant financing component are measured at the transaction price, rather than fair value, at initial recognition.

The Company further classifies its financial assets as measured either at amortised cost; fair value through other comprehensive income (debt or equity instrument) or fair value through profit or loss. The classification of financial assets is based on the business model under which a financial asset is managed, which is primarily solely to collect payments of principle and interest, and its contractual cash flow characteristics. These classification categories also describe the measurement of financial assets subsequent to initial recognition.

Financial assets at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

• it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
• its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets in this category are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Financial assets at fair value through profit or loss (‘FVTPL’)
All financial assets not classified as measured at amortised cost or FVOCI as described below, are measured at FVTPL. This includes all derivative financial assets.

Financial assets in this category are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

2 Accounting policies (continued)

Financial assets at fair value through other comprehensive income ('FVOCI')
A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income ('OCI'). On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Such financial assets are measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Impairment of financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt instruments measured at FVOCI 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, except for the following financial assets, which are measured as 12-month ECLs:

- debt instruments that are considered to have low credit risk at the reporting date; and
- other debt instruments and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

2 Accounting policies (continued)

The Company applies the IFRS 9 simplified approach to measure ECLs on trade receivables and contract assets, which represent unbilled consideration for which goods or services have been delivered, but the right to consideration is contingent on something other than passage of time. Lifetime ECLs on trade receivables and contract assets are measured based on the actual credit loss experience over the preceding 5 years.

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 more than 2 years past due.

The actual credit loss experience is adjusted, if considered significant, by scalar factors to reflect the differences between economic conditions during the period over which the historical data was collected, current conditions and the Company’s view of economic conditions over the expected lives of the assets. The actual credit loss experience is adjusted, if considered significant, by scalar factors to reflect the differences between economic conditions during the period over which the historical data was collected, current conditions and the Company’s view of economic conditions over the expected lives of the assets.

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

Credit loss allowances on financial assets measured at FVOCI are recognised in OCI, instead of reducing the carrying amount of the asset.

Where material credit loss allowances relating to trade and other receivables, including contract assets, 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.

2 Accounting policies (continued)

Derivative financial instruments and hedge accounting
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 remeasured 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) or a hedge of a forecasted transaction or of the foreign currency risk on a firm commitment (cash flow hedge).

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.

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 reclassified to 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 on longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recognised in the profit and loss account. The Company has elected to continue to apply the hedge accounting requirements contained in IAS 39.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2 Accounting policies (continued)

Share based compensation

MMC schemes

The Company's ultimate parent company, Marsh & McLennan Companies, Inc., maintains multiple equity-settled share-based payment arrangements in the UK, under which employees are awarded grants of Stock Options, Save As You Earn (SAYE) awards, Stock Units and Share Purchase Plans.

Share-based payments are measured at the fair value at grant, expensed over a vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market vesting conditions.

Stock options vest at 25% per annum beginning one year from the date of grant and have a maximum contractual term of 10 years.

Fair value is measured using either the Black-Scholes pricing model. The expected life used in the models is estimated using the contractual term of the option and the effects of the employees' expected exercise and post-vesting employment termination behaviour.

SAYE awards vest over a period of either 3 or 5 years. Options must be exercised within 6 months of vesting.

Stock units vest over a period of 3 years, after taking into account the estimated effect of forfeitures. Members are not entitled to receive dividend payments during the vesting period.

The Company also provides employees with the ability to purchase Marsh & McLennan Companies, Inc.'s ordinary shares at 95% of the current market value. The Company records an expense on the date the shares are purchased.

JLT schemes

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

The total amount to be expensed over the vesting period was 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 were included in the assumptions about the number of options that were expected to become exercisable. At each balance sheet date, the entity revised its estimate of the number of options that were expected to become exercisable. It recognised the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to equity.

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

2 Accounting policies (continued)

Critical accounting estimates and judgments

In the application of the Company's accounting policies, which are described above, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year 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.

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

Revenue

Revenue is required to be recognised on the basis of completed performance obligations. The extent of contract assets and liabilities recognised is dependent on a number of judgments namely:

- the number of performance obligations in a single contract;
- the expected likelihood and timing of post placement activities;
- the determination of whether a performance obligation has been completed;
- the costs and time associated with the various performance obligations; and
- the profit margins attributable to residual performance obligations.

The Company determines these judgments for a portfolio of contracts based on the geographical location of the underlying business based on the results of various surveys conducted. If actual experiences differs from what was originally expected this may have an impact on the profits.

2 Accounting policies (continued)

Revenue on insurance broking activities is determined on the residual basis, which is the total transaction price adjusted for post placement activities. Key judgments applied in the insurance broking activities involve the identification and valuation of the post placement obligations.

The value of revenue attributed to post placement obligations is determined by the cost of fulfilling post placement obligations and an appropriate profit margin. The revenue attributable to post placement obligation is recognised in the profit and loss account over the estimated pattern of service. Variable consideration in insurance broking activities is only recognised when it is highly probable that it will be received.

Impairment of assets

The Company tests annually whether goodwill and other assets that have indefinite useful lives suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount.

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 judgment. In making this judgment, 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 flow.

Impairment of trade receivables

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors, including the credit rating of the receivable, the ageing profile of receivables and historical experience. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

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 assumptions.

The assumption 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 assumptions 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.

2 Accounting policies (continued)

To set the price inflation assumptions 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 assumptions 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.

Errors and omissions liability

During the ordinary course of business the Company can be subject to claims for errors and omissions made in connection with its business activities.

A balance sheet provision is established in respect of such claims when it is probable that the liability has been incurred and the amount of the liability can be reasonably estimated.

The Company analyses its litigation exposures based on available information, including external legal consultation where appropriate, to assess its potential liability.

The outcome of the currently pending and future proceedings cannot be predicted with certainty. Thus, an adverse decision in a current or future lawsuit could result in additional costs that are not covered, either wholly or partially, under insurance policies and are in excess of the presently established provisions. It is possible therefore that the financial position, results of operations or cash flows of the Company could be materially affected by the unfavourable outcome of litigation.

3 Turnover

	2019 £ 000	2018 £ 000
Europe	42,083	48,145
North America	34,564	50,654
South America	251	2,322
Rest of the world	6,205	7,764
	83,103	108,885

4 Operating (loss)/profit

Arrived at after charging/(crediting):

	2019 £ 000	2018 £ 000
Depreciation expense	5	11
Amortisation expense	784	752
Foreign exchange losses	4,485	59
Profit on disposal of business of French branch	(815)	-

On 2 December 2019, the business of the French branch of the Company was sold to a fellow group company, Guy Carpenter & Company SAS. The French branch of the Company is no longer trading.

5 Interest receivable and similar income

	2019 £ 000	2018 £ 000
Dividend income	16	230
Interest receivable – Group	214	363
Interest receivable – Third party	4,601	2,870
	4,831	3,463

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.

6 Interest payable and similar expenses

	2019 £ 000	2018 £ 000
Interest expense on other financing liabilities	108	164
Interest payable to group undertakings	-	687
Pension scheme finance costs	129	105
	237	956

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.

7 Staff costs

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

	2019 £ 000	2018 £ 000
Wages and salaries	34,777	40,702
Social security costs	5,410	6,897
Pension costs, defined contribution scheme (see Note 23)	2,474	3,019
Pension costs, defined benefit scheme (see Note 23)	13	13
Share-based payment expenses	2,857	6,943
Other employee expense	1,613	2,670
	47,144	60,244

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

	2019 No.	2018 No.
Broking and technical	299	349

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £ 000	2018 £ 000
Remuneration	2,043	3,818
Awards receivable in the form of shares under a long term incentive scheme	4,117	-
Contributions paid to money purchase schemes	10	132
	6,170	3,950

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	-
Exercised share options	-	3
Accruing benefits under money purchase pension scheme	3	7

In respect of the highest paid director:

	2019 £ 000	2018 £ 000
Remuneration	1,001	1,062
Benefits under long-term incentive schemes	2,574	-
Company contributions to a money purchase pension schemes	-	33

9 Auditors' remuneration

	2019 £ 000	2018 £ 000
Audit of the financial statements	193	85

Other fees to auditors

	2019 £ 000	2018 £ 000
Audit-related assurance services	65	31

10 Income tax (credit)/expense

	2019 £ 000	2018 £ 000
Current tax		
Current year	(3,914)	1,491
Adjustments in respect of prior periods	(675)	(3,250)
	(4,589)	(1,759)
Deferred tax		
Origination and reversal of temporary differences	1,893	995
Reduction in tax rate	221	(42)
Adjustments in respect of prior years	406	35
	2,520	988
Total tax credit	(2,069)	(771)

Following the Budget announcement on 11 March 2020, the UK corporation tax rate (from 1 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
(Loss)/profit before taxation	(13,377)	11,576
Tax calculated at UK Corporation Tax rate of 19.00% (2018: 19.00%)	(2,542)	2,199
Adjustments in respect of prior years	(269)	(3,215)
Rate difference on current year movement	(223)	(117)
Non taxable income	(3)	(43)
Non-deductible expenses	391	446
Withholding tax	356	1
Effect of reduction in UK tax rate	221	(42)
Total tax credit	(2,069)	(771)

11 Intangible assets

	Goodwill £ 000	Computer Software £ 000	Internally generated software development costs £ 000	Capitalised employment contract £ 000	Total £ 000
Cost or valuation					
At 1 January 2019	2,751	365	3,342	4,224	10,682
Additions	-	-	586	804	1,390
Inter-entity transfer	-	-	(31)	-	(31)
Disposals	-	-	-	(1,717)	(1,717)
Reclassification to debtors	-	-	-	(3,311)	(3,311)
At 31 December 2019	2,751	365	3,897	-	7,013
Amortisation					
At 1 January 2019	1,535	365	-	2,939	4,839
Amortisation charge	-	-	501	283	784
Amortisation eliminated on disposals	-	-	-	(1,717)	(1,717)
Reclassification to debtors	-	-	-	(1,505)	(1,505)
At 31 December 2019	1,535	365	501	-	2,401
Carrying amount					
At 31 December 2019	1,216	-	3,396	-	4,612
At 31 December 2018	1,216	-	3,342	1,285	5,843

Following the acquisition of the JLT Group by MMC on 1 April 2019, capitalised employment contracts are now recognised in debtors, aligning with the MMC treatment of these contracts.

12 Tangible assets

	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation		
At 1 January 2019	44	44
Additions	2	2
At 31 December 2019	46	46
Depreciation		
At 1 January 2019	31	31
Charge for the year	5	5
At 31 December 2019	36	36
Carrying amount		
At 31 December 2019	10	10
At 31 December 2018	13	13

13 Investments

	Subsidiaries £ 000	Unlisted investments £ 000	Total £ 000
Cost or valuation			
At 1 January 2019	65	5	70
Reclassification	4	-	4
At 31 December 2019	69	5	74
Carrying amount			
At 31 December 2019	69	5	74
At 31 December 2018	65	5	70

Reclassification during the year represents the Company's investment in JLT Re France SARL which was reclassified from debtors.

Subsidiary undertaking	Country of incorporation and principal place of business	Principal activity	Class of Shares	Percentage of shares held
JLT Advisory Limited	United Kingdom The St Botolph Building, 138 Houndsditch, London, EC3A 7AW, England	Corporate finance services	Ordinary	100%
JLT Re France SARL	France 94 Rue de la Victoire, 75009, Paris, France	Insurance broking services	Ordinary	100%

14 Non-current assets - debtors

	2019	2018
	£ 000	£ 000
Contract assets	2,324	5,127

15 Current assets - debtors

	2019	2018
	£ 000	£ 000
Trade receivables	42,070	24,384
Contract assets	11,232	24,874
Receivables from group undertakings	20,861	31,173
Accrued income	241	1,755
Prepayments	623	2,219
Other receivables	10,224	2,302
Corporation tax	6,271	-
Deferred tax	993	6,750
Total current trade and other receivables	92,515	93,457

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 balances has been aligned with MMC policies.

Receivables from group undertakings includes a term loan balance of £18.2m at 31 December 2019. Interest on the term loan is charged at 0.75%. The loan was repaid in January 2020. The remaining amounts are unsecured, interest free and repayable on demand.

Other receivables as at 31 December 2019 include £2.9m relating to capitalised employment contracts reclassified from intangible assets in 2019 to align with MMC policy. Other receivables also include derivative financial instruments of £Nil (2018: £1.1m) see note 24.

16 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	63	(10)	-	53
Provisions	275	(275)	-	-
Revaluation of intangible assets	(15)	(125)	-	(140)
Other items	57	(7)	-	50
Pension benefit obligations	836	24	122	982
Share-based payments	3,818	(2,127)	(1,643)	48
Financial assets at fair value through profit or loss	1,716	-	(1,716)	-
Net tax assets/(liabilities)	6,750	(2,520)	(3,237)	993

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	68	(5)	-	63
Provisions	272	3	-	275
Deferred income	1,712	(1,712)	-	-
Revaluation of intangible assets	(4)	(11)	-	(15)
Other items	63	(6)	-	57
Pension benefit obligations	790	34	12	836
Share-based payments	1,986	710	1,122	3,818
Financial assets at fair value through profit or loss	(605)	-	2,321	1,716
Net tax assets/(liabilities)	4,282	(987)	3,455	6,750

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

	Credit / (charge) to equity £ 000
Pensions	217
Share-based payments	276
Fair values - foreign exchange	(1,716)
	(1,223)

17 Cash and cash equivalents

	2019 £ 000	2018 £ 000
Fiduciary funds	295,012	178,891
Own funds	7,989	8,261
	303,001	187,152

Fiduciary funds include client money held in the form of premiums due to underwriters and claims paid by insurers due to policyholders. Whilst held in the Company's non-statutory trust accounts under appropriate client money regulation, fiduciary funds held are controlled by the Company and economic benefits are derived from them. As such these funds are recognised as an asset on the Company's balance sheet. Fiduciary funds are not available for general corporate purposes.

Within own funds, also known as corporate funds, £8.0m (2018: £8.0m) are held in a ring fenced account as deemed restricted in accordance with the requirements made by the Financial Conduct Authority.

18 Creditors falling due within one year

	2019 £ 000	2018 £ 000
Insurance creditors	310,320	178,890
Contract liabilities	2,482	4,310
Accrued expenses	3,243	3,407
Social security and other taxes	2,208	4,453
Other payables	5,231	22,628
Corporation tax	-	(596)
	323,484	213,092

Other payables include derivative financial instruments of £Nil (2018: £11.1m), see note 24.

19 Creditors falling due after more than one year

	2019 £ 000	2018 £ 000
Contract liabilities	13,255	8,720

20 Provisions

	Litigation provision £ 000
At 1 January 2019	3,581
Decrease in existing provision	(2,669)
At 31 December 2019	912

Errors and omissions
The Company is subject to claims and litigation in the ordinary course of its business. Provisions have been made only in respect of claims attributable to events which have occurred, and been notified to the Company, by the reporting date. Each case is reviewed independently and represents managements best estimate of the Company's liability.

The provision is shown gross of any monies recoverable under the group’s insurance policies. At 31 December 2019, £0.9m is included in receivables from group undertakings in debtors to reflect amounts recoverable.

21 Share capital

Allotted, called up and fully paid shares

	31 December 2019 No.	31 December 2019 £	31 December 2018 No.	31 December 2018 £
Ordinary shares of £1 each	1,000	1,000	5,876,985	5,876,985

On 9 December 2019, the Company, by way of the solvency statement procedure, reduced the share capital of the Company by £5,875,985. The amount released, along with the associated share premium account balance, was credited to retained earnings of the Company.

22 Equity-settled share based payments

MMC share-based payment schemes
Certain employees of the Company, along with other employees of MMC, have been awarded stock units, which are payable, when the units vest, in shares in the ultimate parent company, Marsh & McLennan Companies, Inc.

The MMC Compensation Committee determines the restrictions on such units, when the restrictions lapse, when the units vest and are paid, and under what terms the units are forfeited. The cost of these awards is recognised over the vesting period, which is generally three years.

The company recognises a share-based payment expense based on the fair value of the awards granted, and an equivalent credit directly in equity. The fair value is deemed to be the market price of MMC shares on the grant date.

During 2019, 16,768 stock units were awarded at a weighted average fair value of £84.60 per unit. As at 31 December 2019, 16,768 stock units remain unvested.

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

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 were granted in the form of nil-priced options and were 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 have a 10 year life from the date of grant. Options attracted 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 for DDEs and the DDE that had accrued on the balance sheet were released to equity at the date of forfeiture.

For post-2013 LTIP awards, the performance conditions were 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.

22 Equity-settled share based payments (continued)

Senior Executive Share Scheme

The JLT Group, (which the company was a member of until 1 April 2019) 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 were 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 required targets for revenue and profit growth to be met over the vesting period. The awards had a 10 year life from the date of grant. Options granted prior to 1 January 2014 attract 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 Group's employment during the vesting period of the option, the actual period varied 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 are nil as both are issued with no cost to the employee.

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)	(289,700)	1,915.00	-	-
Senior Executive Share Scheme	(950,802)	1,915.00	-	-
Total	(1,240,502)	1,915.00	-	-
		2018		
JLT Long Term Incentive Plan (2013)	(26,451)	1,271.51	289,700	8.15
Senior Executive Share Scheme	(258,837)	1,333.24	950,802	7.84
Total	(285,288)	1,327.52	1,240,502	7.91

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

23 Retirement benefit obligations

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 1 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 1 December 2006. The latest finalised triennial actuarial funding valuation of the Jardine Lloyd Thompson UK Pension Scheme was at 31 March 2017. This actuarial valuation showed a deficit of £169,000,000. It was agreed at the time with the trustees that the aim was to eliminate the deficit over a period of 8 years and 3 months from 1 July 2018 by the payment of additional contribution of £16,500,000 in July 2018, followed by annual payments of £16,500,000, payable in monthly instalments of £1,375,000 from 1 January 2019 to 30 September 2026. Following the acquisition of the Company by MMC, it has been agreed by the Group to pay temporary additional monthly contributions of £400,000 from January 2020 until a new deficit recovery plan is agreed as part of the 31 March 2020 actuarial valuation. The company is showing thereafter its respective share of the Group's Scheme. This valuation was updated to 31 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	**2018**
	£ 000	**£ 000**
Defined benefit schemes	13	13
Defined contribution schemes	2,474	2,887
	2,487	**2,900**

23 Retirement benefit obligations (continued)

The principal actuarial assumptions used were as follows:

	UK Scheme	
	At 31 December 2019	**At 31 December 2018**
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%
Mortality - life expectancy at age 65 for male members: (c)		
Aged 65 at 31st December (years)	23.40	21.60

(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.

23 Retirement benefit obligations (continued)

	2019	2018
Defined benefit obligation	**£ 000**	**£ 000**
Present value of funded obligations	(20,364)	(17,517)
Fair value of plan assets	14,588	12,658
Net liability recognised in the balance sheet	**(5,776)**	**(4,858)**

	2019	2018
Reconciliation of defined benefit liability	**£ 000**	**£ 000**
Opening defined benefit liability	(4,858)	(4,536)
Pension expense	(142)	(118)
Employer contributions	498	488
Pension expense GMP equalisation (exceptional)	-	(84)
Total (loss)/gain recognised in reserves	(1,274)	(609)
Net liability recognised in the balance sheet	**(5,776)**	**(4,858)**

	2019	2018
Reconciliation of defined benefit obligation	**£ 000**	**£ 000**
Opening defined benefit obligation	(17,517)	(18,909)
Pension expense GMP equalisation (exceptional)	-	(83)
Interest cost	(482)	(447)
Gains/(losses) on defined benefit obligation	(2,953)	585
Actual benefit payments	588	1,339
Closing defined benefit obligation	**(20,364)**	**(17,517)**

	2019	2018
Reconciliation of fair value of assets	**£ 000**	**£ 000**
Opening value of assets	12,658	14,373
Expected return on assets	353	342
Actuarial (losses)/gains	1,679	(1,193)
Employer contributions	499	488
Actual benefit payments	(588)	(1,339)
Expenses	(13)	(13)
Closing value of assets	**14,588**	**12,658**

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

23 Retirement benefit obligations (continued)

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

	2019 Value £ 000	Value %	2018 Value £ 000	Value %
Equities	3,131	21%	2,569	20%
Equity-linked LDI	2,746	19%	2,511	20%
Diversified Growth funds	2,509	17%	2,250	18%
Buy - in asset	5,960	41%	5,251	41%
Cash	243	2%	77	1%
Total market value	**14,588**	**100%**	**12,658**	**100%**

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

Reconciliation of return on assets	2019 £ 000	2018 £ 000
Expected return on assets	353	342
Actuarial (losses)/gains	1,679	(1,193)
Actual return on assets	**2,032**	**(852)**

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

	2019 £ 000	2018 £ 000
Pension expense GMP equalisation (exceptional)	-	(84)
Expenses	(13)	(13)
Total (included within salaries and associated expenses)	**(13)**	**(97)**
Interest cost	(482)	(447)
Expected return on assets	353	342
Total (included within finance costs)	**(129)**	**(105)**
Expense before taxation	**(142)**	**(202)**

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

23 Retirement benefit obligations (continued)

The amounts included in the statement of comprehensive income are as follows:

	2019 £ 000	2018 £ 000
Gains/(losses) on defined benefit obligation	(2,953)	585
Actuarial (losses)/gains	1,679	(1,193)
Total actuarial (losses)/gains recognised	**(1,274)**	**(609)**
Cumulative actuarial losses recognised	**(9,423)**	**(8,149)**

	2019	2018
Difference between the actual and expected return on plan assets		
- amount (£ 000)	1,679	(1,193)
- expressed as a percentage of the plan assets	11.51%	(9.43%)
Experience losses on plan liabilities		
- amount (£ 000)	197	736
- 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 :

Company contribution to the UK scheme (£ 000)	630

24 Financial Instruments

	2019		2018	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	£ 000	**£ 000**	**£ 000**	**£ 000**
Foreign exchange forward contracts -				
Cash flow hedges:				
Non-current portion	-	-	724	6,630
Current portion	-	-	386	4,420
Total	**-**	**-**	**1,110**	**11,050**

Foreign exchange forward contracts were entered into by the Company to manage currency risk.

During the year ended 31 December 2019, the Company terminated all of its foreign exchange forward contracts.

At 31 December 2018, the outstanding contracts matured within 4 years. The Company was committed to sell USD 273m and EUR 0.7m and to buy INR 79m.

The amounts recognised in the statement of other comprehensive income and in the profit and loss account are detailed below:

	2019	2018
	£ 000	**£ 000**
Recognised in statement of other comprehensive income	10,094	13,655
Recognised in profit and loss account	-	14

25 Parent and ultimate parent undertaking

The Company's immediate parent undertaking is JLT Insurance Group Holdings Limited, a company registered in England.

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 year 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 and 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 Contingent liabilities

The Company and subsidiaries of the Company continue to be subject to claims and lawsuits that arise in the ordinary course of business in connection with the placement of insurance and reinsurance, most of which are covered by professional indemnity insurance. Some of these claims and lawsuits seek damages including punitive damages in amounts which could, if assessed, be significant. The Company has established a provision in respect of insurance deductibles which reflects latest legal advice.

27 Non adjusting events after the financial period

Sale of trade and assets
On 1 January 2020, the trade, assets and liabilities of the Company, with the exception of its pension scheme assets and liabilities and its investments in JLT Advisory Limited and JLT Re France SARL, were sold to Marsh Limited, an indirect parent company of the Company. The pension scheme assets and liabilities of the Company have been transferred to Marsh Services Limited, a fellow group entity. The Company is now non-trading.

Covid-19
On 11 March 2020, the World Health Organization declared the Coronavirus (Covid-19) a pandemic. No adjustments have been made in these financial statements in respect of the pandemic. Developments in the first half 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.