Company number: 01536540

JLT Specialty Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2019

JLT Specialty Limited

Company number: **01536540**

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JLT Specialty Limited

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Company Information

Directors

M C Chessher

A J King

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G R C Munnoch

R I White

Registered office

The St Botolph Building
138 Houndsditch
London
EC3A 7AW

JLT Specialty Limited

Company number: **01536540**

Strategic Report for the Year Ended 31 December 2019

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

Principal Activities

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

Business Review

Turnover reduced by 26% to £264.1m (2018: £356.3m) mainly due to the disposal of the Aerospace and wholesale insurance broking businesses.

Operating profit for the year was £13.3m (2018: £52.9m), a decrease of 75% from prior year, mainly due to disposal of business in 2019 and higher exceptional costs incurred towards integration.

Profit for the year before taxation amounts to £151.6m (2018: £58.8m).

The results of the Company for the year ended 31 December 2019 are set out in the financial statements on pages 20 to 70.

On 4 March 2019, JLT announced that MMC had committed to divest JLT's global aerospace insurance broking business to address a potential overlap in this area which had been identified by the European Commission as part of its Phase 1 competition review of the proposed acquisition of JLT by MMC. The aerospace business is a global retail broker of commercial non-life risks associated with commercial aircraft, aerospace manufacturing, aerospace infrastructure, space and general aviation. An agreement was reached with Arthur J Gallagher & Co. to sell the aerospace business, including the transfer of personnel, for approximately £190 million at total Group level, a proportion of which is deferred subject to the attainment of performance conditions. This was approved by the European Commission effective 1 June 2019.

Until 1 April 2019, JLT Specialty Limited formed part of the Specialty 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').

Going concern

As part of the integration of JLT entities into the MMC Group, the trade, assets and liabilities of the Company, with the exception of its Dubai branch, client assets and pension scheme assets and liabilities, were sold to Marsh Limited, an indirect parent company, with effect from 1 May 2020.

The Company's pension scheme assets and liabilities were transferred to Marsh Services Limited, a fellow group subsidiary, on 25 February 2020. The Company's Dubai branch was sold to Marsh Management Services (MENA) Limited on 1 November 2020. The client assets are to be transferred to Marsh Limited with effect from 1 January 2021.

The directors' intention is that the Company remains a going concern for the next twelve months.

JLT Specialty Limited

Company number: **01536540**

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

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.

Turnover 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 (including exceptional items) divided by total staff numbers (average for the year).

Salary to turnover ratio - defined as direct salary costs (including exceptional items) 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).

Trading margin - defined as turnover less operating expenses (including exceptional items and interest earnings) divided by turnover.

	2019	**2018**
Turnover per employee	£225,716	£256,169
Trading profit per employee	£11,353	£38,025
Salary to turnover ratio	46.8%	52.2%
Indirect costs to turnover ratio	48.2%	33.0%
Trading Margin	5.0%	14.8%

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 £48.7m of additional costs following the acquisition of the JLT group by MMC and transformation project costs. Excluding these costs for 2019 and the equivalent costs for 2018 (£22.5m), trading profit per employee reports a profit of £52,994 (2018: £54,214), indirect costs to turnover would be 29.7% for 2019 (2018: 26.7%) and the trading margin in 2019 increases to 23.5% (2018: 21.2%). Salary costs include variable share-based payment expenses of £2.1m in 2019 and £15.1m in 2018, excluding these costs the salary to turnover ratio has remained stable from year to year at 46% for 2019 and 47.9% for 2018.

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 business which provides risk management and insurance and 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 Group 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 MMC.

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

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. 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 one Non-Executive director.

Board members have a range of skills, expertise and experience in, amongst other things, the fields of insurance broking, accountancy and commercial management. Of the Board of 5, one of the directors is female. We acknowledge that currently there is a lack of gender diversity on the Board. 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 Director is 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, chaired by the Non-Executive Director.

Effectiveness

Directors have access to induction materials and 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 8 times and, in addition to its usual areas of focus, key discussion areas concerned transactions relating to the integration of the business with Marsh, 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 the Non-Executive Director who provides independent challenge and supports 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. The Company's Risk and Audit 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. The Committee receives regular reports from the Finance Function, Compliance Function and MMC Internal Audit on control related findings and it monitors Executive Management's responses to these to ensure recommendations for remediation are 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
The trade, assets and liabilities of the Company, with the exception of its Dubai branch, client assets and pension scheme assets and liabilities, were sold to Marsh Limited, an indirect parent company, with effect from 1 May 2020. The Company's pension scheme assets and liabilities were transferred to Marsh Services Limited on 25 February 2020. The Company's Dubai branch was sold to Marsh Management Services (MENA) Limited on 1 November 2020. The client assets are to be transferred to Marsh Limited with effect from 1 January 2021.

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 was chaired by a Non-Executive Director. 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 reported upon these to the Board regularly, or escalated 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."

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

Policies

The MMC Group, of which the Company is a part, ensures that remuneration proposals for the workforce as a whole are balanced, proportionate and aligned with the Company´s commitment to building a diverse and inclusive workforce.

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 in this regard, 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.”

The Board has outlined in its terms of reference its purpose, which is to generate value for its shareholder and to ensure the sound and prudent management of the firm, with due regard for the interests of the Company´s other stakeholders, including clients, employees, suppliers and the wider community.

Shareholder

As a wholly owned subsidiary, the Board duly considers the views of its ultimate shareholder, Marsh & McLennan Companies Inc., and the interests of the Group as a whole as part of any major decisions and transactions undertaken by the Company. 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 Note 11 to the Financial Statements.

The Greater Good, which is the Group´s Code of Conduct, applies to all Directors and employees of the Company and it embodies the Group´s commitment to maintaining the highest 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.

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

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.

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

Strategic and Operational Risks

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 of business arising from a major external event.

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

Loss of IT Environment
Risks arising from non-performance of an IT supplier, malicious act, 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

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

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 operating 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 JLT Group subsidiaries
• Dividend planning
• Quarterly reviews of the Company balance sheet

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

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 on the balance sheet and the 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 covenant

Political risk
Brexit
The directors have considered the key risks and impact to its business 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 2 December 2020 and signed on its behalf by:

....
M C Chessher
Director

JLT Specialty Limited

Company number: **01536540**

Directors' report for the year ended 31 December 2019

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

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

A B Girling (resigned 5 June 2019)

P E Goodings (resigned 30 September 2019)

P K Knowles (resigned 21 May 2019)

A J Walker (resigned 30 November 2019)

N T Williams-Walker (resigned 27 June 2019)

M A Wood (resigned 23 April 2019)

M C Chessher (appointed 20 May 2019)

A J King (appointed 1 August 2019)

P E Moody (appointed 21 May 2019)

G R C Munnoch

R I White (appointed 22 August 2019)

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

Going concern
As part of the integration of JLT entities into the MMC Group, the trade, assets and liabilities of the Company, with the exception of its Dubai branch, client assets and pension scheme assets and liabilities, were sold to Marsh Limited, an indirect parent company, with effect from 1 May 2020.

The Company's pension scheme assets and liabilities were transferred to Marsh Services Limited, a fellow group subsidiary, on 25 February 2020. The Company's Dubai branch was sold to Marsh Management Services (MENA) Limited on 1 November 2020. The client assets are to be transferred to Marsh Limited with effect from 1 January 2021.

The directors' intention is that the Company remains a going concern for the next twelve months.

The Company continues to monitor the uncertainty in the current economic and business environment, including the impact of the Covid-19 pandemic. The directors do not believe that the Covid-19 pandemic has a significant impact on the assessment of the Company as a going concern,

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

Directors' report for the year ended 31 December 2019 (continued)

Events after the financial period

Sale of trade, assets and liabilities

As part of the integration of the JLT entities into the MMC Group, the trade, assets and liabilities of the Company, with the exception of its Dubai branch, client assets and pension scheme assets and liabilities, were sold to Marsh Limited, an indirect parent company, with effect from 1 May 2020. The Company's pension scheme assets and liabilities were transferred to Marsh Services Limited on 25 February 2020. The Company's Dubai branch was sold to Marsh Management Services (MENA) Limited on 1 November 2020. The client assets are to be transferred to Marsh Limited with effect from 1 January 2021.

Covid-19

On 11 March 2020, the World Health Organisation declared the Coronavirus (Covid-19) a pandemic. Developments in 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 considers the emergence and spread of Covid-19 to be a non-adjusting post balance sheet event and expects any impact of the pandemic on the Company to be minimal, as most trading has now ceased.

Dividends

Final dividend of £Nil in respect of 2019 was recommended by the directors and paid during the year (2018: £50,000,000). On 29 October 2020, the Board approved the payment of a £7.6m dividend to the Company's parent, JLT Insurance Group Holdings Limited.

Donations

During the year, the Company made charitable donations totalling £19,808 (2018: £63,406). No donations were made for political purposes (2018: £Nil).

Employee involvement

The Company places considerable value on the involvement of its employees and continues 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.

Directors' report for the year ended 31 December 2019 (continued)

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.

Branches outside the UK
The Company has a branch in Dubai, United Arab Emirates.

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

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

Approved by the Board on 2 December 2020 and signed on its behalf by:

Mark Chessher
....
M C Chessher
Director

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's Report to the members of JLT Specialty Limited

Report on the audit of the financial statements

Opinion

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

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

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive Income;
- the balance sheet;
- Statement of Changes in Equity for the year ended 31 December 2019; and
- the related notes 1 to 32

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”.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent 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 for the financial statements and the audit

As explained more fully in the directors' responsibility statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and the directors are also responsible 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.

Auditors' 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 auditors' 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 auditors' report.

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

Report on other legal and regulatory requirements

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have no exceptions to report in respect of these matters.

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

Claire Clough.

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Claire Clough ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor

London,
United Kingdom.

2 December 2020

JLT Specialty Limited

Company number: **01536540**

Profit and Loss Account for the Year Ended 31 December 2019

	Note	Continuing operations 2019 £ 000	Discontinued operations 2019 £ 000	Total 2019 £ 000	Continuing operations 2018 £ 000	Discontinued operations 2018 £ 000	Total 2018 £ 000
Turnover	3	247,235	16,852	264,087	287,991	68,341	356,332
Administrative expenses		(237,960)	(12,841)	(250,801)	(268,338)	(35,102)	(303,440)
Operating profit	4	9,275	4,011	13,286	19,653	33,239	52,892
Gain on disposal of investments	15	180	-	180	-	-	-
Gain on disposal of businesses	16, 17	-	130,233	130,233	-	-	-
Interest receivable and similar income	5	7,879	643	8,522	5,821	1,078	6,899
Interest payable and similar expenses	6	(585)	-	(585)	(955)	-	(955)
		7,474	130,876	138,350	4,866	1,078	5,944
Profit before tax		16,749	134,887	151,636	24,519	34,317	58,836
Tax on profit	10	(1,968)	(25,715)	(27,683)	(4,981)	(6,520)	(11,501)
Profit for the year		14,781	109,172	123,953	19,538	27,797	47,335

JLT Specialty Limited

Company number: **01536540**

Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Profit for the financial year		123,953	47,335
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post employment benefit obligations	28	(5,654)	(2,703)
Current and deferred tax	20	963	462
		(4,691)	(2,241)
Items that may be reclassified subsequently to profit or loss			
Fair value gains/(losses) on cash flow hedges	24	18,012	(26,420)
Current and deferred tax	20	(3,062)	4,491
		14,950	(21,929)
Total comprehensive income for the year		134,212	23,165

JLT Specialty Limited

Company number: **01536540**

Balance Sheet as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Intangible assets	12	13,072	30,321
Property, plant and equipment	13	448	576
Right of use assets	14	367	-
		13,887	30,897
Current assets			
Debtors	19	385,073	233,174
Cash at bank and in hand	21	417,370	452,919
		802,443	686,093
Creditors: Amounts falling due within one year	22	(537,837)	(563,426)
Net current assets		264,606	122,667
Total assets less current liabilities		278,493	153,564
Creditors: Amounts falling due after more than one year	23	(1,663)	(21,994)
Provisions for liabilities	25	(5,395)	(1,118)
Retirement benefit obligations	28	(25,580)	(21,561)
Net assets		245,855	108,891
Capital and reserves			
Called up share capital	26	15,224	15,224
Share premium account		12,907	12,907
Hedging reserves		-	(14,950)
Profit and loss account		217,724	95,710
Total Shareholders' funds		245,855	108,891

The financial statements on pages 20 to 70 were approved by the Board on 2 December 2020 and signed on its behalf by:

Mark Chessher
....

M C Chessher

Director

JLT Specialty Limited

Company number: **01536540**

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

	Called up share capital £ 000	Share premium account £ 000	Hedging reserves £ 000	Profit and loss account £ 000	Shareholders' funds £ 000
At 1 January 2019	15,224	12,907	(14,950)	95,710	108,891
Profit for the year	-	-	-	123,953	123,953
Other comprehensive income	-	-	14,950	(4,691)	10,259
Total comprehensive income	-	-	14,950	119,262	134,212
Amounts in respect of share based payments:					
• Capital contribution from the parent (net of tax)	-	-	-	2,752	2,752
At 31 December 2019	15,224	12,907	-	217,724	245,855

The notes on pages 25 to 70 form an integral part of these financial statements.

JLT Specialty Limited

Company number: **01536540**

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

	Called up share capital £ 000	Share premium account £ 000	Hedging reserves £ 000	Profit and loss account £ 000	Shareholders' funds £ 000
At 1 January 2018	15,224	12,907	6,979	96,841	131,951
Change in accounting policy	-	-	-	333	333
At 1 January 2018 (Restated)	15,224	12,907	6,979	97,174	132,284
Profit for the year	-	-	-	47,335	47,335
Other comprehensive income	-	-	(21,929)	(2,241)	(24,170)
Total comprehensive income	-	-	(21,929)	45,094	23,165
Dividends	-	-	-	(50,000)	(50,000)
Amounts in respect of share based payments:					
• Capital contribution from the parent (net of tax)	-	-	-	11,018	11,018
• Return of capital contribution to the parent	-	-	-	(7,576)	(7,576)
At 31 December 2018	15,224	12,907	(14,950)	95,710	108,891

The notes on pages 25 to 70 form an integral part of these financial statements.

1 General information

The Company is a private company limited by share capital, incorporated and domiciled in United Kingdom.

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

These financial statements were authorised for issue by the Board on 2 December 2020.

2 Accounting policies

Summary of significant accounting policies

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

Basis of preparation

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

Going concern

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 Strategic Report also describes the financial position of the Company; its cash flows and liquidity risk, the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposure to credit and liquidity risk.

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. The Company continues to monitor the uncertainty in the current economic and business environment including the impact of the Covid-19 pandemic, and the directors are satisified that the Company's services continued to be attractive to clients in the period to the sale of trade in 2020, and for its Dubai branch in the future.

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

2 Accounting policies (continued)

The directors acknowledge the latest guidance on going concern. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence following the sale of its trade, with the exception of its Dubai branch, for a period of twelve months after signing the financial statements and, therefore, continue to adopt the going concern basis in preparing the annual report and financial statements.

New standards, amendments and IFRIC interpretations

IFRS 16 Leases was adopted effective 1 January 2019 (see note 29). There are no other amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2019 which have a material impact on the Company's financial statements.

Summary of disclosure exemptions

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

1. IFRS 7 “Financial Instruments disclosures”.

2. 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.

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. 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.

2 Accounting policies (continued)

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

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

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

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

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

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

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

2 Accounting policies (continued)

Common control acquisitions
Transactions in which combining entities are controlled by the same parties before and after the transaction, and that control is not transitory, are referred to as common control transactions. Where there are common control transactions predecessor accounting is applied. Under predecessor accounting the acquired net assets are held at carrying value and goodwill is not recognised.

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:
• Leasehold improvements - between 10% and 20% per annum or over the life of the lease.
• Furniture and office equipment - between 10% and 20% per annum
• Motor Vehicles - between 25% and 33 1/3% 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.

Negative goodwill arising on an acquisition is recognised directly in the profit and loss account. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the profit and loss account on disposal.

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

The asset recognised was then 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.

2 Accounting policies (continued)

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.

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 debtors 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 Fixed assets.

Trade debtors 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 debtors 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 debtors.

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 creditors 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 (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

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 derecognition is 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 derecognition, 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.

Financial assets at fair value through profit or loss ('FVTPL')
All financial assets not classified as measured at amortised cost or FVOCI as described above 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.

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.

2 Accounting policies (continued)

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.

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.

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.

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), a hedge of a forecasted transaction or of the foreign currency risk on a firm commitment (cash flow hedge), or a hedge of a net investment in a foreign entity (net investment hedges).

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

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 no 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)

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, if unpaid at the balance sheet date, 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.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and 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 to 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.

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 receives services from employees as consideration for equity instruments (options) of ultimate parent company, Jardine Lloyd Thompson Group plc. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

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

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

2 Accounting policies (continued)

Leases

Definition

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

· Obtain substantially all the economic benefits from the use of the underlying asset, and;
· Direct the use of the underlying asset (e.g. direct how and for what purpose the asset is used)

Initial recognition and measurement

The Company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

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

Subsequent measurement

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

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

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

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

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

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

2 Accounting policies (continued)

Lease modifications

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.
The modification is accounted for as a separate lease if both:
(a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
(b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.
If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The Company then accounts for these in line with the accounting policy for new leases.
If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.
For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.
For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

Short term and low value leases

The Company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).
The Company has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.
Lease payments on short term and low value leases are accounted for on a straight line basis over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the profit and loss account.

Sub leases

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

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.

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 differ from what was originally expected this may have an impact on the profits.

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.

2 Accounting policies (continued)

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.

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. See note 19 for the net carrying amount of the receivables and associated impairment provision.

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.

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.

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.

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.

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

The analysis of the Company's revenue for the year is as follows:

	2019 £ 000	2018 £ 000
Europe	164,677	202,250
North America	51,223	73,865
Rest of the world	48,187	80,217
	264,087	356,332

4 Operating profit

Arrived at after charging/(crediting)

	2019 £ 000	2018 £ 000
Staff costs (note 7)	123,638	185,906
Impairment of trade receivables	(1,362)	(317)
Depreciation expense	181	363
Amortisation of capitalised employment contracts	5,120	7,221
Depreciation on right of use assets	236	-
Exceptional Items	48,717	22,520
Net foreign exchange losses /(gains) on fees and commissions	2,422	(824)
Net foreign exchange gains on other operating costs	2,336	162
Profit on disposal of property, plant and equipment	(36)	(10)

Exceptional costs breakdown is as below. Costs recognised in the profit and loss account in 2019 directly attributable to the acquisition by MMC include £19.8m (2018: £Nil) towards close out of cash flow hedges, retention and rewards £7.3m (2018: £9.8m); acceleration of share-based payment expense £2.3m (2018: £6.6m); and legal and professional fees £1.5m (2018: £11,000).

Description	2019 £ 000	2018 £ 000
Marsh & McLennan Companies acquisition transaction related costs	44,056	16,445
Global Transformation project, restructuring costs	3,056	7,313
Other exceptional items	1,605	(1,238)
	48,717	22,520

5 Interest receivable and similar income

	2019 £ 000	2018 £ 000
Interest receivable - Group	947	488
Interest receivable - Third party	7,575	6,411
	8,522	6,899

6 Interest payable and similar expenses

	2019 £ 000	2018 £ 000
Interest expense on lease liabilities	11	-
Interest payable to group undertakings	-	488
Pension scheme finance costs (note 28)	574	467
	585	955

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	92,748	135,293
Social security costs	14,152	19,749
Other pension costs, defined contribution scheme (note 28)	7,975	8,367
Other pension costs, defined benefit scheme (note 28)	58	57
Share-based payment expenses	2,086	15,133
Other employee expense	6,619	7,307
	123,638	185,906

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

7 Staff costs (continued)

	2019 Number	2018 Number
Broking and technical	1,125	1,336
Administration	45	55
	1,170	1,391

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £ 000	2018 £ 000
Aggregate emoluments excluding pension scheme contributions	2,409	4,147
Awards receivable in the form of shares under a long term incentive scheme	4,906	-
Company contributions for money purchase pension schemes	31	4
	7,346	4,151

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

	2019 Number	2018 Number
Received or were entitled to receive shares under long term incentive schemes	4	6
Exercised share options during the year	-	2
Accruing benefits under money purchase pension scheme	4	1

In respect of the highest paid director:

	2019 £ 000	2018 £ 000
Aggregate emoluments excluding pension scheme contributions	1,256	926
Awards receivable in the form of shares under a long term incentive scheme	1,996	-
Company contributions to money purchase pension schemes	6	-

9 Auditor's remuneration

	2019 £ 000	2018 £ 000
Audit of the company	212	239
Audit of financial statements of associate Companies	-	3
Audit related services	66	57
	278	299

10 Tax on profit

	2019 £ 000	2018 £ 000
Current tax expense		
Current year	25,154	11,923
Adjustments in respect of prior years	(2,595)	(1,016)
	22,559	10,907
Deferred tax expense		
Origination and reversal of temporary differences	3,924	157
Reduction in tax rate	342	(158)
Adjustments in respect of prior years	858	595
	5,124	594
Total income tax expense	27,683	11,501

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:

10 Tax on profit (continued)

	2019 £ 000	2018 £ 000
Profit before taxation	151,636	58,836
Tax calculated at UK Corporation Tax rate of 19% (2018: 19%)	28,811	11,179
Non-deductible expenses	445	877
Withholding tax	284	43
Adjustments in respect of prior years	(1,737)	(422)
Effect of reduction in UK tax rate	342	(158)
Rate difference on currency year movement	(462)	(18)
Total tax charge	27,683	11,501

11 Dividends

	2019 £ 000	2018 £ 000
Final dividend of £Nil (2018 - £3.28) per ordinary share	-	50,000

12 Intangible assets

	Goodwill £ 000	Capitalised employment contract £ 000	Total £ 000
Cost or valuation			
At 1 January 2019	20,797	17,670	38,467
Additions	-	219	219
Disposals	(7,725)	(1,591)	(9,316)
Reclassification of employment contracts	-	(16,298)	(16,298)
At 31 December 2019	13,072	-	13,072
Accumulated amortisation			
At 1 January 2019	-	8,146	8,146
Amortisation charge	-	1,290	1,290
Amortisation eliminated on disposals	-	(1,591)	(1,591)
Reclassification of employment contracts	-	(7,845)	(7,845)
At 31 December 2019	-	-	-
Carrying amount			
At 31 December 2019	13,072	-	13,072
At 31 December 2018	20,797	9,524	30,321

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.

13 Tangible assets

	Furniture, fittings and equipment £ 000	Motor vehicles £ 000	Leasehold improvements £ 000	Total £ 000
Cost or valuation				
At 1 January 2019	32	217	1,369	1,618
Additions	6	73	-	79
Disposals	-	(125)	(244)	(369)
At 31 December 2019	38	165	1,125	1,328
Depreciation				
At 1 January 2019	3	121	918	1,042
Charge for the year	5	48	128	181
Eliminated on disposal	-	(99)	(244)	(343)
At 31 December 2019	8	70	802	880
Carrying amount				
At 31 December 2019	30	95	323	448
At 31 December 2018	29	96	451	576

14 Right of use assets

	Property £ 000	Total £ 000
Cost or valuation		
At 1 January 2019 Opening balance adjustment	603	603
At 31 December 2019	603	603
Depreciation		
Charge for the year	236	236
At 31 December 2019	236	236
Carrying amount		
At 31 December 2019	367	367

The Company adopted IFRS 16 on leases with effect from 1 January 2019. Please refer to note 18 for lease liabilities and note 29 on first time adoption of IFRS 16.

15 Investments

	Unlisted investments £ 000
Cost	
1 January 2019	182
Disposal	(182)
31 December 2019	-
Impairment	
1 January 2019	(182)
Disposal	182
31 December 2019	-
Net book value	
31 December 2019	-
31 December 2018	-

15 Investments (continued)

During the year, the Company sold its investment in International SOS Insurance Services Limited for £180k. The investment was fully impaired and the gain on disposal is taken to the 2019 profit and loss account.

16 Disposal of Aerospace business

On 4 March 2019, JLT announced that MMC had committed to divest JLT's global aerospace insurance broking business to address a potential overlap in this area which had been identified by the European Commission as part of its Phase 1 competition review of the proposed acquisition of JLT by MMC. The aerospace business is a global retail broker of commercial non-life risks associated with commercial aircraft, aerospace manufacturing, aerospace infrastructure, space and general aviation. Subject to the European Commission's approval, an agreement was reached with Arthur J Gallagher & Co. to sell the aerospace business, including the transfer of personnel, for approximately £190 million at total Group level, a proportion of which is deferred subject to the attainment of performance conditions. The sale was approved by the European Commission effective 1 June 2019. JLT Specialty's share of the cash consideration from the disposal was £113.4m and £45.2m deferred consideration. The initially recognised deferred consideration was impaired by £10.4m and is adjusted for in 2019 annual accounts.

Net assets disposed of and the proceeds received are as follows:

		£ 000	£ 000
Proceeds from disposal of Aerospace business:			
Cash		113,441	
Deferred consideration		34,826	148,267
Less: Expenses on disposal			10,628
Less: Expenses incurred / to be incurred during TSA period			14,695
Less: Assets & liabilities disposed			
	Intangible assets	7,725	
	Fulfilment costs	310	
	Other Debtors	6,363	
	Contract liabilities - Current	(1,268)	
	Contract liabilities - Non current	(344)	12,786
Gain on disposal			110,158

17 Disposal of wholesale business

On 14 August 2019, MMC, JLT Specialty Limited and McGill & Partners (Risk Solutions) Limited ("buyer") signed a business purchase agreement, pursuant to which the buyer agreed to purchase the UK wholesale broking business of the legacy JLT Specialty Limited in the UK for up to $25.2 million, of which of $3.8 million was payable initially at closing and the remaining is contingent on the retention of client accounts by the buyer and revenue generated from such accounts during the three years after closing.

Net assets disposed of and the proceeds received are as follows:

		£ 000	£ 000
Proceeds from disposal of wholesale business:			
Cash		2,935	
Deferred Consideration		16,410	19,345
Less: Expenses on disposal			450
Less: Assets & liabilities disposed			
	Fulfilment costs	205	
	Other debtors	356	
	Contract liabilities - Current	(1,741)	(1,180)
Gain on disposal			20,075

18 Lease liabilities

Lease liabilities included in creditors

	31 December 2019 £ 000	31 December 2018 £ 000
Lease liability - current	229	-
Lease liability - non current	118	-

18 Lease liabilities (continued)

Lease liabilities maturity analysis

The future undiscounted cash flows associated with the lease liabilities are as follows:

	31 December 2019 £ 000	31 December 2018 £ 000
Due within 1 year	234	-
Due in 1-2 years	118	-
Total	352	-

19 Debtors

	2019 £ 000	2018 £ 000
Trade receivables	88,671	151,462
Amounts due from group undertakings	209,927	55,056
Prepayments	672	3,740
Deferred tax	4,797	15,545
Asset recognised for costs incurred to fulfil a contract	3,274	2,651
Other receivables	77,732	4,720
	385,073	233,174

Trade receivables are stated after provisions for impairment of £1.8m (2018: £3.2m).

Other receivables for 2019 include £1.5m towards unamortised portion of capitalised employment contract reclassified from intangible assets in 2019 to align with MMC policy. Other receivables also include derivative financial instruments £Nil for 2019 (2018: £2.9m of which £1.6m was non-current), see note 24.

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

20 Deferred income taxes

	At 1 January 2019	Recognised in income	Credit/ (charge) to equity	At 31 December 2019
	£ 000	£ 000	£ 000	£ 000
Revaluation of property, plant and equipment	155	(16)	-	139
Provisions	1,965	(1,944)	-	21
Goodwill	(564)	354	-	(210)
Pension benefit obligations	3,708	108	542	4,358
Share-based payment	7,281	(3,632)	(3,105)	544
Other (IFRS 9)	(62)	7	-	(55)
Revaluation of fair value hedges	3,062	-	(3,062)	-
Net tax assets	15,545	(5,123)	(5,625)	4,797

	At 1 January 2018	Recognised in income	Credit/(charge) to equity	Transfer in Hayward Aviation Ltd	At 31 December 2018
	£ 000	£ 000	£ 000	£ 000	£ 000
Revaluation of property, plant and equipment	135	(1)	-	21	155
Provisions	1,723	242	-	-	1,965
Deferred income	1,650	(1,650)	-	-	-
Goodwill	(404)	(160)	-	-	(564)
Pension benefit obligations	3,506	152	50	-	3,708
Share-based payment	3,208	818	3,255	-	7,281
Other (IFRS 9)	(68)	6		-	(62)
Revaluation of fair value hedges	(1,429)	-	4,491	-	3,062
Net tax assets	8,321	(593)	7,796	21	15,545

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

	Credit / (charge) to equity
	£000
Pensions via other comprehensive income	963
Share based payments	398
Fair values - foreign exchange	(3,062)
	(1,701)

21 Cash at bank and in hand

	2019 £ 000	2018 £ 000
Fiduciary funds	401,429	423,821
Own funds	15,941	29,098
	417,370	452,919

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, £14.0m (2018: £13.6m) are held in a ring fenced account as deemed restricted in accordance with the requirements made by the Financial Conduct Authority.

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

22 Creditors: Amounts falling due within one year

	2019 £ 000	2018 £ 000
Trade payables	401,429	423,821
Amounts due to group undertakings	47,940	22,279
Corporation tax	20,948	-
Social security and other taxes	7,156	17,742
Accrued expenses	42,564	72,851
Contract liabilities	8,599	14,954
Other payables	8,972	11,779
Lease liabilities	229	-
	537,837	563,426

Other payables include derivative financial instruments of £Nil (2018: £4.5m), see note 24.

23 Creditors: Amounts falling due after one year

	2019 £ 000	2018 £ 000
Contract liabilities	1,545	5,588
Derivative financial instruments	-	16,406
Lease liabilities	118	-
	1,663	21,994

The contract liabilities balance relates to claims handling provision on services to be provided in future periods after a year.

24 Derivative financial instruments

	2019		2018	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	£ 000	**£ 000**	**£ 000**	**£ 000**
Forward foreign exchange contracts - Cash flow hedges:				
Non-current portion	-	-	1,600	16,406
Current portion	-	-	1,258	4,473
Total	-	-	2,858	20,879

24 Derivative financial instruments (continued)

At 31 December 2019, there are no outstanding derivative contracts. At 31 December 2018, the Company had committed to sell USD 655.7m, CAD 12.6m, EUR 31.3m and to buy INR 210.8m.

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

	2019 £ 000	2018 £ 000
Recognised in statement of other comprehensive income	(18,012)	26,420
Recognised in profit and loss account	-	280

25 Provisions for liabilities

	Litigation provision £ 000	Other provisions £ 000	Total £ 000
At 1 January 2019	614	504	1,118
Additional provisions	3,808	196	4,004
Adjustment to gross basis	454	-	454
Provisions used	(9)	(168)	(177)
Unused provision reversed	(4)	-	(4)
At 31 December 2019	4,863	532	5,395

At any point the Company can be involved in a variety of litigation issues. A balance sheet provision is established in respect of such issues 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 legal consultation where appropriate, to assess its potential liability. Where appropriate the Company also provides for the cost of defending.

Where a litigation provision has been made it is recorded gross of any related third party recovery, any such recovery being included within Debtors. At 31 December 2019, in connection with certain litigation matters, the Company’s litigation provisions include an amount of £453,577 (2018: £173,774) to reflect this gross basis, and the corresponding insurance recovery has been included within Debtors. This presentation has had no effect on the profit and loss account for the year ended 31 December 2019.

Other provisions includes end of service costs provision of £356,874 (2018: £361,386) in respect of certain staff based overseas, dilapidation provision for property leases of £161,000 (2018: £128,000) and £15,000 (2018: £15,000) relates to legacy.

26 Called up share capital

Allotted, called up and fully paid shares

	2019		2018	
	No.	**£**	**No.**	**£**
Ordinary shares of £1 each	15,223,692	15,223,692	15,223,692	15,223,692

27 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, 174,935 stock units were awarded at a weighted average fair value of £73.07 per unit. As at 31 December 2019, 174,935 stock units remain unvested. The expense recognised in the year is £2,355,738.

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:

27 Equity-settled share based payments (continued)

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.

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 of share options exercised during the year, the outstanding options and the remaining contractual life:

27 Equity-settled share based payments (continued)

	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)	(203,800)	1,915.00	-	-
Senior Executive Share Scheme	(2,180,225)	1,915.00	-	-
Total	(2,384,025)	1,915.00	-	-
	2018			
JLT Long Term Incentive Plan (2013)	(11,889)	1,284.00	203,800	8.77
Senior Executive Share Scheme	(548,134)	1,384.46	2,180,225	7.74
Total	(560,023)	1,382.33	2,384,025	7.83

28 Retirement benefit obligations

The Jardine Lloyd Thompson UK Pension Scheme

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

28 Retirement benefit obligations (continued)

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

	UK Scheme	
	2019	**2018**
	£000	**£000**
Defined benefit schemes	58	57
Defined contribution schemes	7,975	8,367
	8,033	8,424

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%
Expected return on plan assets (b)	5.82%	5.82%
Mortality - life expectancy at age 65 for male members: (c)		
Aged 65 at 31st December (years)	23.40	21.60

(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.

28 Retirement benefit obligations (continued)

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 sensitivities did not change compared to the previous period.

	2019	2018
Defined benefit obligation	**£ 000**	**£ 000**
Present value of funded obligations	(90,371)	(77,737)
Fair value of plan assets	64,791	56,176
Net liability recognised in the balance sheet	(25,580)	(21,561)

28 Retirement benefit obligations (continued)

Reconciliation of defined benefit liability	2019 £ 000	2018 £ 000
Opening defined benefit liability	(21,561)	(20,130)
Pension expense	(631)	(525)
Employer contributions	2,267	2,168
Pension expense GMP equalisation (exceptional)	-	(371)
Total gain/(loss) recognised in statement of other comprehensive income	(5,655)	(2,703)
Net liability recognised in the balance sheet	(25,580)	(21,561)

Reconciliation of defined benefit obligation	2019 £ 000	2018 £ 000
Opening defined benefit obligation	(77,737)	(83,916)
Interest cost	(2,140)	(1,984)
Pension expense GMP equalisation (exceptional)	-	(371)
(Gain) / Loss on defined benefit obligation	(13,105)	2,593
Actual benefit payments	2,611	5,941
Closing defined benefit obligation	(90,371)	(77,737)

Reconciliation of fair value of assets	2019 £ 000	2018 £ 000
Opening value of assets	56,176	63,786
Expected return on assets	1,567	1,516
Actuarial gains / (losses)	7,450	(5,296)
Employer contributions	2,267	2,168
Actual benefit payments	(2,611)	(5,941)
Expenses	(58)	(57)
Closing value of assets	64,791	56,176

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

28 Retirement benefit obligations (continued)

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

	2019		2018	
	Value £000	**Value %**	**Value £000**	**Value %**
Equities	13,893	21%	11,399	20%
Equity Linked LDI	12,186	19%	11,142	20%
Diversified Growth funds	11,133	17%	9,987	18%
Buy-in asset	26,450	41%	23,304	41%
Cash	1,129	2%	344	1%
Total market value	64,791	100%	56,176	100%

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

	2019	2018
Reconciliation of return on assets	**£ 000**	**£ 000**
Expected return on assets	1,567	1,516
Actuarial gains / (losses)	7,450	(5,296)
Actual return on assets	9,017	(3,780)

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

	2019	2018
	£ 000	**£ 000**
Pension expenses GBP Equalisation (exceptional)	-	(371)
Expenses	(58)	(57)
Total (included within salaries and associated expenses)	(58)	(428)
Interest cost	(2,140)	(1,984)
Expected return on assets	1,566	1,517
Total (included within finance costs)	(574)	(467)
Expense before taxation	(632)	(895)

28 Retirement benefit obligations (continued)

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

	2019	2018
	£ 000	£ 000
Gain / (losses) on defined benefit obligation	(13,105)	2,593
Actuarial gain / (losses)	7,450	(5,296)
Total actuarial gains/(losses) recognised through Other Comprehensive Income	(5,655)	(2,703)
Cumulative actuarial losses recognised	(41,820)	(36,165)

	2019	2018
Difference between the actual and expected return on plan assets		
- amount (£'000)	7,450	(5,296)
- expressed as a percentage of the plan assets	11.51%	(9.43%)
Experience losses on plan liabilities		
- amount (£'000)	874	3,266
- expressed as a percentage of the present value of the plan liabilities	(0.97%)	(4.20%)

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

	2020
	£ 000
Company contributions to the UK scheme	2,794

29 Changes in Accounting Policy

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

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

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

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

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

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

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

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

29 Changes in Accounting Policy (continued)

The impact for lessees on IAS 17 lease classifications is as follows:
Finance leases:
Finance leases in place at 31 December 2018 were reclassified from property, plant and equipment to right-of-use assets and from obligations under finance leases to lease liabilities.

Operating leases:
A right-of-use asset and lease liability were brought on to the balance sheet (except for certain leases of low value assets). Depreciation and interest replace the IAS 17 rental charge (which was included in 'administrative expenses').

Areas of management judgement relate to the accounting for lease extension and termination options (considered on a case-by-case basis) and the discount rate used to measure the lease liability. The Company applies lessee accounting in respect of an office building in United Arab Emirates.

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

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

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

29 Changes in Accounting Policy (continued)

£ 000	**1 Jan 2019**
Assets	
Right-of-use assets	603
	603
Liabilities	
Lease liabilities	(603)
	(603)

There was no adjustment required to opening equity. The incremental borrowing rate applied to lease liabilities recognised in the balance sheet at the date of initial application is 2.7%.

30 Contingent liabilities

In 2017, JLT identified payments to a third-party introducer that had been directed to unapproved bank accounts. These payments related to reinsurance placements made on behalf of an Ecuadorian state-owned insurer. In early 2018, JLT voluntarily reported this matter to law enforcement authorities. In February and March 2020, money-laundering charges were filed in the United States against a former employee of JLT, the principals of the third-party introducer and a former official of the state-owned insurer. At least three of these individuals, including the former JLT employee, have since pleaded guilty to criminal charges. We are cooperating with all ongoing investigations related to this matter.

At this time, we are unable to predict the likely timing, outcome or ultimate impact of the foregoing investigations or any related matters. Adverse determinations in one or more of these matters could have a material impact on the Company's results of operations, financial condition or cash flows in a future period.

The Company continues to be subject to claims and lawsuits that arise in the ordinary course of business in connection with the placement of insurance, 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 the latest legal advice.

31 Non adjusting events after the financial period

Sale of trade, assets and liabilities

As part of the integration of the JLT entities into the MMC Group, the trade, assets and liabilities of the Company, with the exception of its Dubai branch, client assets and pension scheme assets and liabilities, were sold to Marsh Limited, an indirect parent company, with effect from 1 May 2020. The Company's pension scheme assets and liabilities were transferred to Marsh Services Limited on 25 February 2020. The Company's Dubai branch was sold to Marsh Management Services (MENA) Limited on 1 November 2020. The client assets are to be transferred to Marsh Limited with effect from 1 January 2021.

Covid-19

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

32 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, Jardine Lloyd Thompson Group Limited (formerly Jardine Lloyd Thompson Group plc), was acquired by Marsh & McLennan Companies, Inc which became the Company's ultimate parent undertaking at that date.

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

Companies House
Crown Way
Cardiff
CF14 3UZ

and also from:

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