
MARSH SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

MARSH SERVICES LIMITED

COMPANY INFORMATION

Directors

A J Croft
K J Hamilton
A J Henderson (appointed 1 March 2019)
A C Herring
C Netherton (appointed 22 February 2019)
R I White
S R Woodhouse (appointed 1 December 2019)

Company secretary

E A Nicholls

Registered number

03053552

Registered office

1 Tower Place West
Tower Place
London
EC3R 5BU

MARSH SERVICES LIMITED

CONTENTS

	Page
STRATEGIC REPORT	1 - 12
DIRECTORS' REPORT	13 - 15
DIRECTORS' RESPONSIBILITIES STATEMENT	16
INDEPENDENT AUDITOR'S REPORT	17 - 19
STATEMENT OF COMPREHENSIVE INCOME	20
STATEMENT OF FINANCIAL POSITION	21
STATEMENT OF CHANGES IN EQUITY	22 - 23
NOTES TO THE FINANCIAL STATEMENTS	24 - 50

MARSH SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

INTRODUCTION

The Directors present their Strategic Report for Marsh Services Limited (the "Company") for the year ended 31 December 2019. The Company's registration number is 03053552.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is one of the principal employment companies within the Marsh & McLennan Companies Inc. Group ("MMC") of companies in the UK. The majority of the staff employed by the Company are seconded to Marsh Limited, a sister company and a provider of risk management, insurance and reinsurance broking services.

As Marsh Services Limited is a service company; it generally does not make large profits or losses but seeks only to recharge its expenses to MMC Group companies. Its turnover is entirely made up of service charges and other income from MMC Group companies and recognises a mark-up on internally generated costs for an inter-company service charge. Its major expenses are staff salaries and other costs of employment.

FINANCIAL KEY PERFORMANCE INDICATORS

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

	2019	2018	<i>Movement</i>	<i>Movement</i>
	£M	£M	£M	%
Turnover	495	437	58	13
Administration expenses	(515)	(449)	(66)	(15)
Pension curtailment gain	-	(17)	(17)	(100)
Net pension asset	872	912	(40)	(4)
Net liabilities	(69)	(39)	(30)	(77)

Turnover increased by £58 million in 2019 to £495 million, due to increased costs incurred and subsequently recharged to other MMC companies with an agreed mark-up on cost.

Total administration expenses increased by £66 million in 2019 primarily driven by wages and salaries and associated costs which increased by £61 million to £503 million in 2019. This was due to an increase in the average headcount of 12 percent to 4,446 in 2019 from 3,978 in 2018.

In July 2008, Marsh Limited outsourced its back office insurance broking administrations functions to Capita plc, a third party service provider on a ten year contract. As of 1 July 2018 the Norwich element of this function transferred back to Marsh Limited, and several hundred staff employed as part of this function transferred back to the Company. The India operation remains outsourced to Capita.

MARSH SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL KEY PERFORMANCE INDICATORS (continued)

The Company carries the Marsh section, most of the Sedgwick section and a small part of the Mercer section of the MMC UK Pension Fund (along with associated unregistered pension obligations) on its balance sheet and its financial position is affected by actuarial valuations. The latest pension valuation has resulted in a net post-retirement asset at the end of 2019 of £872 million (2018: £912 million asset). The decrease in net post-retirement asset is due to an increase in benefit obligation of the scheme.

A pension curtailment did not occur in 2019 compared to a loss of £17 million in 2018.

The 2018 £17 million loss arose from an estimated cost of £25 million due to the obligations arising from a High Court judgment in October 2018 in relation to the equalisation of benefits between men and women, caused by Guaranteed Minimum Pensions ("GMP equalisation"), offset by an estimated credit of £8 million due to a plan amendment in respect of a pension increase exchange offer to pensioner members of the Fund that was issued on 31 October 2018 (measured based on member acceptances to 15 February 2019, at the close of the offer period).

On 11 March 2011 a guarantee was agreed between Marsh Limited (a fellow MMC Group undertaking) and MMC UK Pension Fund Trustee Limited (as Trustee for the MMC UK Pension Fund) in relation to the Company's contributions to the fund. In 2013 the Company agreed that future deficit funding contributions for the period from 2014 would be based on an annual assessment using financial assumptions agreed with the Trustee. This approach was confirmed in November 2016 when updated funding principles were agreed.

A statutory funding valuation was carried out during 2019. A new agreement was reached with the Trustee in quarter 4 2019 based on the surplus funding position at 31 December 2018. Under the agreement, no deficit funding is required until 2023. The funding level will be re-assessed during 2022 to determine if deficit contributions are required from 2023.

As part of a long term strategy, which depends on having greater influence over asset allocation and overall investment decisions, in November 2019 the Company renewed its agreement to support annual deficit contributions by the U.K. operating companies under certain circumstances, up to £450 million over a seven-year period.

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.

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. The Company forms part of the Marsh & McLennan Inc. Group of Companies (the Group) and further information in respect of the Group's compliance can be found in the Corporate Governance disclosure of its sister company, Marsh Ltd's, Report and Accounts for the year ended 31 December 2019.

MARSH SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Principle 1 – Purpose and leadership

“An effective board develops and promotes the purpose of the company, and ensures that its values, strategy and culture align with that purpose.”

Purpose

The Company forms part of the Group, which is 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 a services company and the primary employer for employees of the Marsh, Guy Carpenter (GC) and MMC entities in the UK.

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 Group of Jardine Lloyd Thompson Group plc (JLT) on 1 April 2019.

The principal focus of the Company during 2019 continued to be that of an employing company. The Board received updates, and monitored matters relating to the Group’s people strategy and culture, employee benefits and the ongoing benefits harmonisation work following the transaction. This included updates on the TUPE transfer process and the efforts to align the pension schemes, as well as reviewing updates on the London office relocation to the St. Botolph building. In addition, the Board retained a focus on a number of other matters which included the 2018 year end review process and the total compensation review, attrition rates, gender pay gap reporting, the Modern Slavery Statement, global mobility, changes in HR legislation and relevant internal policies, diversity and inclusion, the graduate and apprenticeship schemes and UK payment practices. The Board has discussed the feedback and actions arising from engagement surveys and the developing culture of the Group remains an important consideration.

The Board has also received updates from a management committee considering health and safety matters and received copies of the minutes of the meetings of an Employee Consultative Forum, the Colleague Information and Consultation Forum (CICC). Going forward, efforts are being made to strengthen this relationship and members of the various employee representative forums have been invited to attend a Board meeting to provide an update on activities and raise any issues or matters of concern.

MARSH SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Principle 2 – 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 Chairman is responsible for the leadership of the Board and its effective operation. The Chairman is an experienced and senior leader of the Organisation, a member of the Marsh Executive Team and a director of the Marsh Ltd Board. He has served as Chairman of the Board since March 2016.

Balance and Diversity & Size and Structure

The Board comprises the Chairman and six other directors. The composition of the Board was strengthened by the appointment of three additional members in 2019 and its composition is appropriate in terms of skills and expertise for its purpose, comprising of senior leaders from the business, the Marsh and Guy Carpenter Human Resources functions, Finance and Operations. Appointments to the Board are approved by the Chief Executive Officer of the Marsh Ltd, UK and Ireland and, if appropriate, the Head of International of Guy Carpenter and Company Ltd (GC) before being approved by the Board itself. Of the Board of seven, three directors are female. The Group is committed to increasing the diversity of the Organisation as a whole, which is demonstrated through its commitment to the Women in Finance Charter to increase the number of females in senior grades to 25% by the end of 2023. In addition to this we have established a number of Colleague Resource Groups to help the Company better understand and support a wide range of inclusive constituents of our workforce. These groups include, Multi-Cultural, Women’s and Family networks, Mental Health support, and Pride and Military Veterans group. We are also undertaking a number of actions colleague and manager training and a Summer Intern Programme open to applicants from local underprivileged communities. 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.

Effectiveness

Directors have access to induction materials on appointment. In addition, they are able to keep their skills, knowledge and familiarity with the Company up to date by meeting with other members of senior management, and by attending Group events and appropriate external seminars and training courses. An annual schedule of training sessions is developed by the Marsh Ltd UK Company Secretary in conjunction with the Chairman of Marsh Ltd and this is reviewed on a regular basis. Individual training can also be arranged by the Company Secretary on specific request.

MARSH SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Principle 3 – 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

Terms of Reference for the Marsh Services Ltd (MSL) Board are being developed and will set out the Board’s responsibilities as an employing entity. The Board meets four times a year (there is an additional meeting with a number of other entities, which is related to gender pay gap reporting) with ad hoc meetings held as and when required. In 2019, the Board met six times and considered the matters described outlined under Principle One. The Chairman is a member of the Marsh Ltd Board and provides an update of any significant matters at those meetings. The reporting has now been formalised and summaries of the MSL Board meetings are now circulated with the Marsh Ltd and Guy Carpenter and Company Ltd (GC) Board papers.

Integrity of Information

The Board receives reports on matters within its remit, which includes employee benefits and HR matters, at each scheduled Board meeting.

Principle 4 - 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/Risk

The MSL Board assists the Marsh Ltd and GC Boards in fulfilling the responsibility for ensuring that sound risk management and internal control systems are and operate within the Company’s areas of responsibility.

MARSH SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Principle 5 – Remuneration

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

Policies

The Marsh Remuneration Committee is a mechanism to provide regional governance and oversight of remuneration matters within the Marsh and GC UK and Ireland businesses. The Marsh Remuneration Committee is chaired by the Chairman of the Marsh Ltd Board, and is responsible for ensuring that the Remuneration Policy and compensation practices of the Marsh and GC UK and Ireland businesses are consistent with, and promote, sound and effective risk management, are in line with business strategy, objectives, values, culture, and the long term interests of the Group, encourage fair treatment of clients, and include measures to avoid conflicts of interest. In carrying out its responsibilities, the Committee considers:

- (a) the success and appropriateness of the risk and reward mechanisms available to the businesses to align the success of individual colleagues with the success of the business in a risk adjusted context;
- (b) benchmarks, at a market level, against the stated employee value propositions referencing both remuneration and benefits strategies; and
- (c) the extent to which remuneration structures support the business and development plans and succession planning needs.

The remuneration packages of all executive directors, members of the Executive teams, and all other colleagues falling within the top 50 based upon remuneration, (including base salary, bonuses, performance-related payments, discretionary payments, long-term incentive awards, share options and pension contributions) are reviewed and approved by the Marsh Remuneration Committee in order to ensure that executive performance is remunerated not only on financial performance, but also on measures that ensure the legal, regulatory and reputational health.

As part the business's annual compensation process, the Committee reviews and challenges management on high level remuneration and performance data for all colleagues with a view to ensuring 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.

A Gender Pay Gap Report is produced 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>.

The MSL Board assists the Marsh Ltd and GC Board's in fulfilling the responsibilities within its remit and, in particular, in reviewing and monitoring employee benefits, the year end review and total compensation processes and the approach to diversity and inclusion matters and commitment to building a diverse and inclusive workforce.

MARSH SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Principle 6 – 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.”

As part of the MMC Group of companies, the Board is conscious of the Group’s purpose, namely, to generate value for its shareholder and to ensure the sound and prudent management of the firm, with due regard for the interests of the Company’s other stakeholders, including clients, employees, suppliers and the wider community.

Shareholder

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

Distributions to the Company’s shareholder are only considered after a full assessment of capital adequacy 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 on page 29 under the Notes to the Financial Statements.

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

As part of the Group’s ultimate purpose, the Marsh Ltd Board and the Marsh Executive are committed to ensuring that the Group, and where applicable, the individual group companies, make a positive difference for its clients, its employees, its communities and society at large. The MSL Board share this commitment.

Clients

The Company provides employment services to a number of group companies including Marsh Limited and GC. These companies provide risk, insurance and reinsurance services.

Employees

The Board recognises that, employees are key to the Group’s strength and success. The Board and the Boards of its sister companies, including Marsh Ltd and GC, and the Executive teams are committed to ensuring high levels of employee engagement. The Chief Executive Officer, Marsh UK and Ireland, Head of International, GC, and the Executive teams understand the importance of leadership visibility and, in addition to regular Townhalls with colleagues, they frequently undertake visits to offices across the UK. Regular employee engagement surveys are conducted and results are carefully scrutinised by the Board and, also by the Marsh Ltd and GC Boards, to identify and implement actions for improvement. The Board monitors attrition rates and feedback from exit interviews, and absenteeism levels in an effort to identify emerging people risks and trends and to ensure appropriate action is taken to address these. Emerging people risks and trends are highlighted to the Board, and to the Marsh Ltd and GC’s Boards, together with proposed action plans.

MARSH SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Principle 6 – Stakeholder Relationships and Engagement (continued)

Employees (continued)

Throughout 2019, and during preceding years, the Marsh group has had in place an Employee Consultative Forum (the Colleague Information and Consultation Committee (CICC) which represented employees from all offices and lines of business in discussions of a more formal nature with executive management. This has been instrumental in supporting colleagues through contractual and structural changes and acting as a sounding board for the Marsh Executive Team. Additionally in 2019, the CICC assisted with the appropriate consultation with employees who joined the Company through the acquisition of JLT. A separate committee made up of elected members of the JLT population was used to consult with employees, specifically on the TUPE Transfer. Early in 2020, the CICC was expanded to include members of legacy JLT population. The CICC comprises of elected representatives from across all offices and lines of business and includes legacy JLT employees. The Chairman of the CICC is elected from the employee representatives. The CICC meets regularly and is engaged to, for example, provide feedback to executive management on policy amendments, proposals for changes to benefits and to support colleagues when structure changes are proposed.

Representatives of the various employee forums are now invited to attend a meeting of the Board to update the Directors on activities and any areas of concern. In addition, summaries of the MSL Board meetings are being shared with the Boards of its sister companies, Marsh Ltd and GC.

In 2019, work to develop a definition of the culture for the Group was a key priority for the Board, the Marsh Ltd and GC Boards and the Executive teams. A programme has been developed with an external provider called MindGym. This comprises three elements, an all colleague survey to establish a base point for our current culture, the creation of a narrative statement to define the desired culture and a development/monitoring plan to achieve this.

The Group and Company is committed to reinforcing a wholly inclusive culture across a truly diverse workforce. The Diversity and Inclusion goals and plan was presented to the Marsh Ltd Board in 2019, when Marsh Ltd signed up to the Women in Finance Charter. This included a commitment to achieve 25% of women being in our most senior roles by the end of 2023. Activity and progress toward this goal is regularly reported to the MSL and Marsh Boards. It is intended that the other businesses will look to make this commitment also going forward.

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 Company and Group 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. A further statement on Health, Safety and Environment is set out below on page 12 of the Strategic Report.

The Company participates in two UK pension schemes. Both schemes are governed by an independent Trustee Board and another Group Company, Marsh & McLennan Companies UK Limited (MMCUKL), is the principal employer for both schemes. The Trustee Board is made up of both MMCUKL appointed and member nominated Trustee Directors. The Trustee Board is responsible for communicating and engaging with pension scheme members and does this on a regular basis, including through an annual newsletter. Members can also ask questions and provide feedback via the administration teams who support the pension schemes. MMCUKL engages with the Trustee Board as part of the Trustee Board's quarterly meeting schedule and through a Joint Working Group which is made up of representatives of both the MMCUKL and Trustee Boards.

MARSH SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Principle 6 – Stakeholder Relationships and Engagement (continued)

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 Marsh, to focus on our Social Impact (formerly CSR) efforts in the UK. Given the Group's expertise in risk, strategy and people, our social impact efforts are focused on 'building resilient communities through mentoring and disaster response and rebuilding.'

By aligning its Social Impact programmes with the business priorities and experience, the Group is able to demonstrate its commitment to its communities in the UK while supporting the business. The Group partners with select strategic global non-profit organisations, including; the Cherie Blair Foundation for Women, Junior Achievement, Missing Maps and the British Red Cross in the UK and encourages colleagues to volunteer with its non-profit partners, for local causes that are important to them and their clients.

Suppliers

The Group monitors its relationship with its suppliers on a regular basis. Representatives of key suppliers are being invited to attend a Board meeting of the Company's sister Company, Marsh Corporate Services Ltd (MCSL) to update the MCSL Directors on activities and discuss any areas of concern. In addition, summaries of the MCSL Board meeting are being shared with the Marsh Ltd and GC Ltd Boards to aid communication.

The Company is committed to ensuring that slavery and human trafficking is not taking place in any of its supply chains or any part of its business. Further detail on actions taken by the Company in compliance with the Modern Slavery Act 2015 is set out on page 14 of the Director's Report.

The Company reports on its supplier payment practices on a bi-annual basis, and results are monitored by the Marsh Audit Committee at its quarterly meetings. The Marsh Ltd Board consider the payment practice results bi-annually at the time of publication. The Company's latest results can be found at

<https://check-payment-practices.service.gov.uk/report/33584>

The Board acknowledges that efforts to improve the payment practices are required and with this in mind, an improvement plan has been rolled out, with progress monitored by the Marsh Audit Committee.

MARSH SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Company are those listed below:

Availability of IT systems

The Company has a number of Information Technology (IT) systems in order to carry on its day-to-day business and service its clients' requirements. There is a risk that any of these systems as part of the overall IT infrastructure could fail, individually or collectively, with an adverse effect on the Company's operations. The Company is part of the Marsh & McLennan Companies, Inc.'s global IT structure and there are business continuity plans in place.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables, which are almost entirely due from MMC Group companies.

The Company has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis by management who perform monthly balance reviews. Management does not expect any counterparty to fail to meet its obligations. When considering whether balances are impaired the Company considers any known adverse factors affecting the counterparty and previous settlement history. The Company provides for bad debts if it considers there is a risk of impairment.

Emerging risk

Coronavirus: On March 11, 2020, the World Health Organization declared the Coronavirus (Covid-19) a pandemic. As this continues to spread through contagion, it is likely to further intensify the disruptive impact on the global and UK economy and could adversely impact 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

Interest rate risk

The Company has both cash deposits and overdrafts. The interest rate risk of the Company is managed by treasury staff, in line with guidelines issued by its ultimate parent company.

In managing interest rate and currency risks the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. Over the longer term, however, permanent changes in interest rates would have an impact on earnings.

Liquidity and cash flow risk

Liquidity and cash flow risk is the risk that cash may not be available to pay obligations when due. The Company maintains liquid funds to mitigate against this risk. The Company makes use of forecasts and budgets to monitor and control its cash flows and working capital requirements and has access to other MMC Group liquid funds managed through a central treasury function.

Outsourcing risk

The Company outsources a number of its services to third party organisations. The ability of the Company to perform efficiently is directly impacted by the services of the third party providers. Outsourced contracts and providers are respectively reviewed against performance expectations and key performance indicators.

MARSH SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

People Risks

The willingness of competitors to offer key staff higher remuneration and benefits packages continues to be a risk to the Company's ability to attract and retain key staff.

Periodic benchmarking of salaries is carried out to ensure the Company remains competitive.

Pension asset risk

The Company's defined benefit pension scheme is closed to new members. The Pension scheme valuation is subject to inherent risks from factors beyond the management's direct control such as the investment returns, inflation rates, mortality rates, regulatory changes, legal changes and underlying custodianship risk relating to investments. There are controls in place monitored by the Company and the Trustee to mitigate these as much as possible.

The Company is exposed to financial risks from its defined benefit pension plan. These risks are mitigated by a guarantee from Marsh Limited.

Political risk

The Company is subject to local and international economic and political instability. The Company manages this risk through monitoring of the economic environment as part of its ongoing forecasting process.

Management has noted that the United Kingdom (UK) formally left the European Union ('EU') on 31 January 2020 and entered a "transition phase" which is expected to end on 31 December 2020. During this period, trade negotiations between the UK and EU are expected to take place but the final outcome of these negotiations is not yet known. As a result, the final impact of leaving the EU on the economy, regulation and political stability is highly uncertain.

The Company has considered the key risks and impact to its business and operations that might follow the end of the transition period as well as the content of any potential trade agreement and, based on a balance of worst case versus likely scenario assumptions, is taking steps to mitigate these. A Brexit Operations Group has been established to collate activities within and across individual lines of business and across all functional areas to ensure that the Company is Brexit ready and responsive to client needs in the UK. It also manages the risks and uncertainty around standards of data protection and the storing and transfer of data between the UK and EU after Brexit on employees who are EU citizens, and the potential impact on the Company's suppliers.

MARSH SERVICES LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

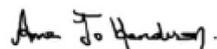
ENVIRONMENT

The Company is responsible for the health, safety and welfare of its contractors whilst working on behalf of the Company and for ensuring that its operations do not unnecessarily harm the environment.

Where reasonably practicable, the Company pursues progressive improvements in health & safety performance and ensures that the business is compliant with all applicable legislation. Directors and individual managers accept responsibility for people and areas under their control and integrate health and safety into everyday activities. They are committed to ensuring the competence of all employees through selection, instruction, training and supervision.

Management of health and safety standards is ensured through effective audit and action resolution and is supported by bespoke software to allow monitoring. Incident reporting, investigation and trend analysis ensures identified workplace hazards are corrected to prevent reoccurrence. Colleague consultation plays a key role and is achieved through the Group's UK Health and Safety Committee, comprised of representatives from across the businesses in the UK, including a representative of the Company. This committee reviews the Company's arrangements in place on a regular basis and works towards continuous improvement of health & safety standards.

This report was approved by the board on **6 October 2020** and signed on its behalf.


A J Henderson
Director

MARSH SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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

PRINCIPAL ACTIVITY

The principal activities of the Company are set out in the Strategic Report on page 1. The information that fulfils the Companies Act requirements of the business review is included in the Strategic Report on pages 1 to 12. This includes a review of the development of the business during the year and of likely future developments of the business in the future. Details of the principle risks and uncertainties are also included in the Strategic Report.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £3 million (2018 - loss £10 million).

The directors do not recommend the payment of a final dividend (2018: £nil).

DIRECTORS

The directors who served during the year were:

A J Croft
K J Hamilton
A C Herring
R I White
A J Henderson (appointed 1 March 2019)
C Netherton (appointed 22 February 2019)
S R Woodhouse (appointed 1 December 2019)

FUTURE DEVELOPMENTS

The activities of the Company are expected to continue along similar lines for the foreseeable future.

GOING CONCERN

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of twelve months from the date of approval of the financial statements and therefore continue to adopt the going concern basis in preparing the annual report and financial statements.

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 satisfied that the Company's services will continue to be required from its MMC Group of companies.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in note 2 to the financial statements.

EMPLOYEE INVOLVEMENT

Employees are provided with information on a regular basis concerning the activities and performance of the companies within the Group. This is achieved by the circulation of management bulletins, quarterly town halls and intranet news sheets. In addition, regular meetings of representatives of management and staff are held to seek the views of employees upon matters likely to affect their interests.

MARSH SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

EMPLOYMENT OF DISABLED PERSONS

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

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 has a longstanding 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 training programme to raise awareness amongst all UK Colleagues to ensure that they are mindful of the risks of modern day slavery.

Global Procurement has implemented specific vetting checks, in addition to existing processes, to support this initiative. Processes to monitor and vet supplier practices are still evolving. The Company statement on Modern Slavery can be found on the company website (www.marsh.com/uk/modern-slavery-statement.html). The statement is reviewed annually.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Company has put in place an indemnity in its Articles of Association to indemnify directors and officers of the Company against losses or liabilities sustained in the execution of their duties of office. The indemnity is a qualifying third party indemnity provision under s232 and s234 of the Companies Act 2006, inserted by the Companies (Audit, Investigations and Community Enterprise) Act 2004.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

MARSH SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

POST BALANCE SHEET EVENT

Covid-19

On March 11, 2020, the World Health Organization declared the Coronavirus (Covid-19) a pandemic. Developments in the first half of 2020 have created significant uncertainty about the impact on the global economy and has 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 (i.e. an event that is indicative of a condition that arose after the end of the reporting period). Based on the most recent interim management information, there has not been a significant impact of Covid-19 on the net liabilities of the Company, however, due to the evolving nature of this situation, the Company continues to monitor the impact of Covid-19 on results. It has been able to produce estimates through stress testing of different scenarios that provide a reasonable expectation that the Company has adequate resources to continue in operational existence.

The impact of the Covid-19 pandemic on the net pension asset is uncertain and cannot be predicted. The UK pension plan has significant liability driven investments to reduce net pension asset volatility by hedging a majority of interest rate, inflation and pensioner longevity risks. Over the first quarter of 2020, the net pension asset is estimated to have increased mainly due to the increase in AA corporate bond yields and credit spreads. This resulted in a higher discount rate that, along with lower market-implied price inflation, placed a lower value on the pension plan liabilities, which more than offset falls in asset values. However, the Covid-19 pandemic has caused significant market volatility and the uncertain outlook means that there is a wide range of possible future outcomes for the pension plan assets, discount rate, inflation and mortality.

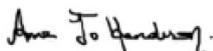
Transfers of colleagues

On 1 April 2019, Marsh & McLennan Companies, Inc. ("MMC"), the Company's ultimate parent, completed the purchase of Jardine Lloyd Thompson Group plc ("JLT"). As a first phase of the integration, in December 2019 a number of JLT companies internally transferred under different ownership structures within MMC. In 2020 the second stage of business integration and legal entity rationalisation progressed further, and there were TUPE transfer arrangements whereby, after a consultation process, some of the employees of former JLT Companies and their pension scheme liabilities transferred into the Company, centralising the employment of colleagues within the United Kingdom for the Risk & Insurance solutions operations of MMC. On 1 January 2020, the employees of JLT Reinsurance Brokers Limited and JLT Management Services Limited transferred into the Company. On 1 March 2020 the employees of JLT Specialty Limited transferred into the Company. This will substantially increase the size of the Company from 2020.

AUDITOR

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on **6 October 2020** and signed on its behalf.


A J Henderson
Director

MARSH SERVICES LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

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

MARSH SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARSH SERVICES LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Marsh Services Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 23.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

MARSH SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARSH SERVICES LIMITED (CONTINUED)

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

MARSH SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARSH SERVICES LIMITED (CONTINUED)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



Adam Knight, FCA (Senior statutory auditor)

for and on behalf of

Deloitte LLP

London
United Kingdom
Date: 6th October 2020

MARSH SERVICES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £M	2018 £M
Turnover	4	495	437
Gross profit		495	437
Administrative expenses		(515)	(449)
Pensions curtailment loss		-	(17)
Operating loss		(20)	(29)
Interest payable and expenses	8	(5)	(6)
Other finance income	9	26	21
Profit/(loss) before tax		1	(14)
Tax on profit/(loss)	10	2	4
Profit/(loss) for the financial year		3	(10)
Other comprehensive (expense) / income for the year			
Actuarial (losses) /gains on defined benefit pension scheme	19	(67)	66
Movement of deferred tax relating to pension deficit	13	11	(12)
Actuarial gains relating to other retirement benefits	20	2	3
Actuarial losses relating to incapacity benefits	14	(1)	-
Other comprehensive (expense) / income for the year		(55)	57
Total comprehensive (expense) / income for the year		(52)	47

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

All transactions derive from continuing activities.

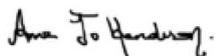
The notes on pages 24 to 50 form part of these financial statements.

MARSH SERVICES LIMITED
REGISTERED NUMBER: 03053552

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £M	2018 £M
Current assets			
Debtors: amounts falling due after more than one year	11	4	4
Debtors: amounts falling due within one year	11	61	22
Cash at bank and in hand		1	1
		<u>66</u>	<u>27</u>
Creditors: amounts falling due within one year	12	(844)	(809)
Net current liabilities		<u>(778)</u>	<u>(782)</u>
Total assets less current liabilities		<u>(778)</u>	<u>(782)</u>
Provisions for liabilities			
Deferred tax	13	(146)	(154)
Other provisions	14	(14)	(11)
		<u>(160)</u>	<u>(165)</u>
Pension asset	19	872	912
Post retirement medical benefit	20	(3)	(4)
Net liabilities		<u>(69)</u>	<u>(39)</u>
Capital and reserves			
Profit and loss account	16	(69)	(39)
		<u>(69)</u>	<u>(39)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 6 October 2020


A J Henderson
 Director

The notes on pages 24 to 50 form part of these financial statements.

MARSH SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Profit and loss account	Total equity
	£M	£M
At 1 January 2019	(39)	(39)
Comprehensive income for the year		
Profit for the year	3	3
Actuarial losses on pension scheme	(67)	(67)
Deferred tax movements	11	11
Actuarial losses relating to other retirement benefits	2	2
Actuarial losses relating to incapacity benefits	(1)	(1)
Other comprehensive loss for the year	(55)	(55)
Total comprehensive loss for the year	(52)	(52)
Credit to equity for equity settled share based payments	22	22
Total transactions with owners	22	22
At 31 December 2019	(69)	(69)

The notes on pages 24 to 50 form part of these financial statements.

MARSH SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Profit and loss account £M	Total equity £M
At 1 January 2018	(101)	(101)
Comprehensive income for the year		
Loss for the year	(10)	(10)
Actuarial gains on defined benefit pension scheme	66	66
Deferred tax movements	(12)	(12)
Actuarial losses relating to other retirement benefits	3	3
Other comprehensive income for the year	57	57
Total comprehensive income for the year	47	47
Credit to equity for equity settled share based payments	15	15
Total transactions with owners	15	15
At 31 December 2018	(39)	(39)

The notes on pages 24 to 50 form part of these financial statements.

MARSH SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

Marsh Services Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the registered office is given on Company Information page at the beginning of these financial statements. The nature of the Company's operations and its principal activities are set out in the strategic report and the directors report on pages 1 to 15.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Marsh & McLennan Companies Inc. as at 31 December 2018 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Shareholders have been notified in writing and do not object to the disclosure exemptions.

MARSH SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (continued)

2.3 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 risk and liquidity risk.

The Company meets its day-to-day working capital requirements from corporate cash balances. The current economic conditions resulting from the Covid-19 global pandemic, 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 satisfied that the Company's services will continue to be attractive to MMC Group companies. The Directors considered it was appropriate for the Company to perform additional procedures and analysis, specific to COVID 19, to consider whether these events and uncertainties cast significant doubt upon the Company's ability to continue as a going concern. This monitoring and analysis considered our business resilience and continuity plans, and stress testing of liquidity and financial resources. The analysis modelled the financial impact assuming an increasing severity of impact in relation to revenue and certain costs, for a 12 month period so that the potential impact on profitability and liquidity could be assessed.

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

The directors acknowledge the latest guidance on going concern. The Company continues to monitor the uncertainty in the current economic and business environment, and the directors are satisfied through the review of forecast and analyses that the services of Marsh Limited, for whom the Company ultimately provides most of its services, will continue to be attractive to the clients. The Company has a net liability position on its statement of financial position which affected by the movement of the defined benefit pension asset. Therefore the directors have asked for the support of its parent company to provide adequate resources to settle its obligations for the foreseeable future by means of a letter of support. Accordingly, the directors continue to adopt going concern basis in preparing the annual report and financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (continued)

2.4 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.5 TURNOVER

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Turnover represents fees receivable from other MMC Group companies for services provided and is recognised in the year to which it relates. All turnover arises in the United Kingdom.

MARSH SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. ACCOUNTING POLICIES (continued)

2.6 INTEREST INCOME

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.7 BORROWING COSTS

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

Finance cost comprises interest payable on funds borrowed. Interest payable is recognised in the income statement as it accrues.

The difference between interest payable in the year and interest actually paid is shown as an accrual in the statement of financial position.

MARSH SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (continued)

2.8 PENSIONS AND OTHER POST-RETIREMENT BENEFITS

Defined benefit pension plan

For the defined benefit section of the pension scheme the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Comprehensive Income.

The net interest cost on the net defined benefit liability is shown within finance costs.

Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded with the assets of the scheme held separately from those of the Company, in a separate trustee administered fund. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are prepared annually by a professionally qualified actuary employed within the Marsh & McLennan Companies, Inc. Group.

The Company participates in a defined benefit plan that shares risks between entities under common control. The policy for charging the defined benefit costs is determined for each of the three segregated sections of the Fund based on an allocation of accounting liabilities for each member between the employers participating in the section. The assets attributable to each of the Fund sections are measured through a process of unitisation whereby all cash transactions are appointed between sections monthly. This unitisation process determines the Fund assets attributable to the Company in the Marsh and Sedgwick sections. The contribution paid by the Company is determined as part of the funding valuation for these sections. For the smaller Mercer section of the Fund, the contribution and assets are allocated to the Company in proportion to the Company's share of the accounting liabilities in the section.

The difference between the market value of assets and the present value of accrued pension liabilities is shown as an asset or liability in the balance sheet net of deferred tax.

Defined contribution pension plan

For the defined contribution section of the pension scheme the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Post-retirement medical benefits

The Company also operates an unfunded non-contributory scheme for medical benefits, whereby defined medical benefits are provided to current and retired UK members who started their services with the Company on or prior to 1 December 1988 and completed five years of service with the Company at retirement.

MARSH SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (continued)

2.9 SHARE-BASED PAYMENTS

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

Share-based payments are measured at the fair value at grant, expensed over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market based 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 (no market-based triggering event) or the Binomial valuation model (market based triggering event). The expected life used in the models is estimated using the contractual term of the option and the effects of 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 Awards vest over a period of up to 5 years, after taking into account the estimated effect of forfeitures. Members are entitled to receive dividend payments during the vesting period.

The Company also provides employees with the ability to purchase MMC's ordinary shares at 95% of the current market value. The Company records an expense, based on the 5% discount, on the date the shares are purchased.

MARSH SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (continued)

2.10 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.11 DEBTORS

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.13 CREDITORS

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

MARSH SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (continued)

2.14 PROVISION FOR LIABILITIES

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.15 INCAPACITY PROVISION

The incapacity provision comprises the current value of expected future amounts payable to or on behalf of staff on the long-term disability scheme, net of amounts covered by insurance. Payments are expected to be made over a number of years in the future. The interest cost is charged to the profit and loss account, and included within other finance charges. Payments made to beneficiaries are charged to the provision, and actuarial adjustments to the provision are taken to other comprehensive income.

2.16 FINANCIAL INSTRUMENTS

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably; and
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the

MARSH SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. ACCOUNTING POLICIES (continued)

2.16 FINANCIAL INSTRUMENTS (CONTINUED)

asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.17 DIVIDENDS

Dividends are the way that the Company makes distributions from the Company's profits to its shareholder. The dividend is determined in sterling, the economic currency of the Company. The Directors may choose to declare dividends in any currency provided that a sterling equivalent is announced.

The Board decides the level of dividend in consultation or with consideration of various stakeholders, including the management and delegation advisers of the Company's ultimate parent company, Marsh & McLennan Companies, Inc.. The amount and timing of a dividend may be changed at any time, and influenced by factors such as:

- the Company's working capital requirements to sustain its business plans,
- consideration of future employer contributions required for the closed defined benefit pension plan, should the fund be in deficit.
- the Company's future capital investment needs, and
- the Company's excess financial resources.

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described above, the directors are required to make judgements, 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.

Critical judgements in applying the Company's accounting policies

The Company has no critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

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 significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Pension and other post-retirement benefits

The cost of defined benefit pension plan and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of the plan, such estimates are subject to significant uncertainty. Further details are provided in note 20.

(ii) Deferred tax

Deferred tax timing differences have been provided at tax rates enacted at the balance sheet date which are expected to apply when the timing differences are expected to reverse. Deferred tax balances are reviewed and only recognised to the extent that it is probable that future taxable profits will allow the asset to be recovered.

(iii) Incapacity benefits

The incapacity provision comprises the current value of expected future amounts payable to or on behalf of staff on the long-term disability scheme, net of amounts covered by insurance. Payments are expected to be made over a number of years in the future.

(iv) Payroll tax provision

The payroll tax provision relates to National Insurance Contributions which are payable on exercise of employee shared-based remuneration. The amount payable is dependent on Marsh & McLennan Companies, Inc.'s share price at the date of vesting. The provision has been calculated based on the number of shares expected to vest and the share price at the balance sheet date.

MARSH SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4. **TURNOVER**

Turnover represents fees receivable from other MMC Group companies for services provided.

	2019	<i>2018</i>
	£M	<i>£M</i>
United Kingdom	495	<i>437</i>
	<hr/> 495 <hr/>	<hr/> <i>437</i> <hr/>

All turnover arose within the United Kingdom.

5. **AUDITOR'S REMUNERATION**

In 2019 the Company paid £0.2 million in audit fees (2018: £0.2 million) to the Company's auditor relating to the auditing of the financial statements.

The Company has not engaged its auditor for any non-audit services.

MARSH SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

6. EMPLOYEES

Staff costs were as follows:

	2019	<i>2018</i>
	£M	<i>£M</i>
Wages and salaries	426	369
Social security costs	50	46
Cost of defined benefit scheme	5	6
Cost of defined contribution scheme	22	21
	503	442

The average monthly number of employees, including the directors, during the year was as follows:

	2019	<i>2018</i>
	No.	<i>No.</i>
Insurance broking, reinsurance broking and risk management	3,549	3,182
Technical support, management and administration	897	796
	4,446	3,978

The average number of employees increased during the year primarily as a result of colleagues coming back to the Company from a previously outsourced arrangement.

7. DIRECTORS' REMUNERATION

The directors are employed by the Company, however the directors are also executives of other MMC Group companies. In such circumstances, it is not practicable to allocate their time, and therefore their remuneration between service as a director to the Company and their service as executives to other MMC Group companies. The remuneration of the directors is therefore borne by other MMC Group companies.

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019	<i>2018</i>
	£M	<i>£M</i>
Bank interest payable	3	2
Loans from MMC Group undertakings	2	3
Foreign exchange losses on operating activities	-	1
	5	6

MARSH SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

9. OTHER FINANCE INCOME

	2019 £M	2018 £M
Net finance income relating to pension scheme	26	21
	<u>26</u>	<u>21</u>

10. TAXATION

	2019 £M	2018 £M
CORPORATION TAX		
Current tax on profits for the year	6	6
Adjustments in respect of previous periods	-	1
	<u>6</u>	<u>7</u>
TOTAL CURRENT TAX	<u>6</u>	<u>7</u>
DEFERRED TAX		
Current year	(4)	(3)
TOTAL DEFERRED TAX	<u>(4)</u>	<u>(3)</u>
TAX ON PROFIT / LOSS	<u>2</u>	<u>4</u>

MARSH SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

10. TAXATION (continued)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £M	2018 £M
Profit / (loss) before tax	1	(14)
Profit / (loss) multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	-	3
EFFECTS OF:		
Other differences leading to a decrease in the tax charge	1	-
Other timing differences leading to a decrease / (increase) in taxation	1	1
TOTAL TAX CREDIT / (CHARGE) FOR THE YEAR	2	4

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

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

MARSH SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

11. DEBTORS

	2019 £M	2018 £M
DUE AFTER MORE THAN ONE YEAR		
Deferred tax	4	4
	<u>4</u>	<u>4</u>
	<u><u>4</u></u>	<u><u>4</u></u>
	2019 £M	2018 £M
DUE WITHIN ONE YEAR		
Amounts owed by MMC Group undertakings	46	12
Other debtors	3	1
Amounts recoverable from group undertakings - tax	12	8
Deferred tax	-	1
	<u>61</u>	<u>22</u>
	<u><u>61</u></u>	<u><u>22</u></u>

Amounts owed by MMC Group undertakings are unsecured, interest free and repayable on demand.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £M	2018 £M
Bank overdrafts	281	245
Amounts owed to MMC Group undertakings	539	541
Other taxation and social security	-	3
Other creditors	2	-
Accruals and deferred income	22	20
	<u>844</u>	<u>809</u>
	<u><u>844</u></u>	<u><u>809</u></u>

Amounts owed to MMC Group undertakings are unsecured, interest free and repayable on demand.

MARSH SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

13. DEFERRED TAXATION

	2019 £M	2018 £M
At beginning of year	(149)	(134)
Charged to profit or loss	(4)	(3)
Charged to other comprehensive income	11	(12)
At end of year	(142)	(149)

The deferred tax balance is made up as follows:

	2019 £M	2018 £M
Other timing differences	4	4
Pension and post retirement benefit obligations	(146)	(153)
	(142)	(149)
Comprising:		
Asset - due after one year	4	4
Asset - due within one year	-	1
Liability	(146)	(154)
	(142)	(149)

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

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

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

If the amended tax rate had been used, the deferred tax liability would have been £17 million higher.

MARSH SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

14. OTHER PROVISIONS

	Incapacity benefits £M	Payroll tax provision £M	Total £M
At 1 January 2019	6	5	11
Charged to profit or loss	-	3	3
Charged to other comprehensive income	1	-	1
Utilised in year	(1)	-	(1)
At 31 December 2019	6	8	14

The incapacity provision comprises the current value of expected future amounts payable to or on behalf of staff on long-term disability scheme, net of amounts covered by insurance. Payments are expected to be made over a number of years in the future.

The payroll tax provision relates to National Insurance Contributions (NIC) which will become payable on the exercise of employee share-based remuneration. The amount payable is dependent on Marsh & McLennan Companies, Inc.'s share price at the date of vesting. The provision has been calculated based on the number of shares expected to vest and the share price at the balance sheet date of \$110.96 (2018 - \$79.75).

15. SHARE CAPITAL

	2019 £	2018 £
ALLOTTED, CALLED UP AND FULLY PAID		
1,000 (2018 - 1,000) Ordinary shares of £1.00 each	1,000	1,000

The share capital of the Company consists of fully paid ordinary shares with a par value of £1 per share. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at shareholders' meetings of the Company.

16. RESERVES

Profit and loss account

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

MARSH SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

17. SHARE BASED PAYMENTS

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 and Save As You Earn (SAYE) awards, Shares Awards and Share Purchase arrangements (Share Purchase Plan and Share Incentive Plan).

Prior to 1 January 2006, Share Awards were classified as liabilities and measured at their respective grant date fair values. Prepaid compensation cost was recognised for the unearned portion of such awards. Upon implementation of FRS 20, such awards were adjusted to the respective accrued grant date fair values, with a liability to Marsh & McLennan Companies, Inc. The effect of forfeitures was recognised when they occurred and dividend equivalents were expensed in the period incurred. There has been no change to the treatment under FRS 102.

In addition, SAYE awards were not considered compensatory and there was no cost to the Company; therefore no expense was required to be recognised. Share Purchase Plan costs were accrued in the year of grant.

From 1 January 2015, the Company has applied the requirements of Financial Reporting Standard 102. In accordance with the transitional provisions, FRS 102 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006.

As no benefit is granted by the Company under the Share Incentive Plan, this plan does not fall under the scope of FRS 102.

18. CONTINGENT LIABILITIES

The Company participates in cash pooling agreements with banks. Each member of the pool indemnifies against all losses incurred as a result of the failure of any other pool member, limited to any net cash balance held in the pool. As at 31 December the Company had a total overdrawn of £281 million (2018: £245 million) and so had no exposure under the agreements at that time but could in the future have a liability if its funds in the pool became a positive cash balance. The other members of the pooling arrangements are companies fully owned by Marsh & McLennan Companies, Inc.

During 2019 the average employees for the Company were 4,446 employees (2018: 3,978 employees) and wage and salary expenses of £414 million (2018: £369 million). Holiday pay has not been accrued for these employees at the reporting date. This is due to the fact that the payroll system within the Company is unable to provide sufficient information on holiday pay accruals at one point in time. As management are unable to make a reliable estimate of this amount, no liability has been recognised at 31 December 2019 or 31 December 2018 in accordance with FRS 102.2.30.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

19. PENSION COMMITMENTS

The Company operates a defined benefit pension scheme in the UK in 2020.

The existing sections of the Fund closed to all future benefit accrual with effect from 1 August 2014. Pension benefits accrued prior to that date retain the link to future salary growth or career revaluation, as applicable.

A comprehensive actuarial valuation of the defined benefit sections was carried out at 31 December 2018 and updated to 31 December 2019 by a qualified actuary (who is employed within the Marsh & McLennan Companies Group). The update over 2019 allowed approximately for known cashflows, inflation experience and the estimated effect of changes in assumptions.

The statutory funding objective is that the defined benefit sections of the Fund have sufficient and appropriate assets to pay their benefits as they fall due (the technical provisions). The general funding principles are that the technical provision assumptions taken as a whole will be sufficiently prudent, including appropriate margins to allow for the possibility of events turning out worse than expected. However, the funding method and assumptions do not completely remove the risk that the technical provisions could be insufficient to provide benefits in the future.

The funding principles were agreed in November 2016. The current agreement with the Trustee sets out the annual deficit contributions which would be due based on the funding valuation as at 31 December 2015. The funding level is subject to re-assessment, in most cases on 1 November of each year. If the funding level on 1 November has sufficiently improved, no deficit funding contributions will be required in the following year, and the deficit contribution amount will be deferred. A statutory funding valuation was carried out in 2019. A new agreement was reached with the Trustee in Q4 2019 based on the surplus funding position at 31 December 2018. Under the agreement, no deficit funding is required until 2023. The funding level will be re-assessed during 2022 to determine if deficit contributions are required from 2023.

The Company participates in a defined benefit plan that shares risks between entities under common control. The policy for charging the defined benefit costs is determined for each segregated section of the Fund based on an allocation of accounting liabilities for each member between the employers participating in the section. The assets attributable to each of the Fund sections is measured through a process whereby all cash transactions are apportioned between the sections monthly. This process determines the Fund assets attributable to the Company for the two largest Fund sections. For the smallest Fund section, the contributions and assets are allocated between the participating employers in proportion to each employer's share of the accounting liabilities in the section.

The Company also operates unfunded unapproved pension benefits that cannot be provided through the fund.

MARSH SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

19. PENSION COMMITMENTS (continued)

Reconciliation of present value of plan liabilities:

	2019	<i>2018</i>
	£M	<i>£M</i>
Reconciliation of present value of plan liabilities		
At the beginning of the year	3,660	3,969
Interest cost	103	98
Benefits paid	(159)	<i>(215)</i>
Effect of changes in assumptions/experience adjustments	499	<i>(209)</i>
Loss on plan changes, settlement or curtailment	-	17
	4,103	<i>3,660</i>
	4,103	<i>3,660</i>

Composition of plan liabilities:

	2019	<i>2018</i>
	£M	<i>£M</i>
Funded	4,085	3,644
Unfunded	18	16
	4,103	<i>3,660</i>
	4,103	<i>3,660</i>

Reconciliation of present value of plan assets:

	2019	<i>2018</i>
	£M	<i>£M</i>
At the beginning of the year	4,572	4,805
Interest income	129	119
Administration expenses	(5)	<i>(6)</i>
Contributions	6	11
Benefits paid	(159)	<i>(214)</i>
Return on plan assets (excluding interest income)	432	<i>(143)</i>
	4,975	<i>4,572</i>
	4,975	<i>4,572</i>

MARSH SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

19. PENSION COMMITMENTS (continued)

Composition of plan assets:

	2019 £M	2018 £M
Cash and cash equivalents	22	38
Equity instruments	1,338	1,209
Government bonds/LDI instruments	1,341	1,482
Other debt instruments	2,071	1,629
Real estate	218	217
Other	(17)	(3)
TOTAL PLAN ASSETS	4,973	4,572
	2019 £M	2018 £M
Fair value of plan assets	4,975	4,572
Present value of plan liabilities	(4,103)	(3,660)
NET PENSION SCHEME ASSET	872	912

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

	2019 £M	2018 £M
Administration expenses	(5)	(6)
Net interest income	26	21
Losses on plan changes, settlements and curtailments	-	(17)
TOTAL RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME	21	(2)
Remeasurements (recognised in other comprehensive income)		
Effect of changes in assumptions	(475)	192
Effect of experience adjustments	(24)	17
Return on plan assets (excluding interest income)	432	(143)
TOTAL RECOGNISED IN OTHER COMPREHENSIVE INCOME	(67)	66

MARSH SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

19. PENSION COMMITMENTS (continued)

Reconciliation of net pension scheme asset is as follows:

	2019 £M	2018 £M
Opening net defined benefit asset	912	837
Interest income on pension scheme assets	26	21
Actuarial (losses) / gains	(67)	66
Administration expenses	(5)	(6)
Contributions by employer	6	11
Losses/(gains) on curtailments and settlements	-	(17)
CLOSING NET DEFINED BENEFIT ASSET	872	912

The Company expects to contribute £5 million in administration expenses to its defined benefit pension scheme in the UK in 2020.

If future life expectancy for all members were to increase by a further one year then this would increase the liabilities for FRS 102 purposes by about 4%. A change in the life expectancy assumption at the year-end balance sheet date also leads to an increase in the following year's interest cost charges to the profit and loss account. This would be partly mitigated by a longevity swap that covers most of the pensioner members and would create an asset gain if life expectancy increases by one year.

MARSH SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

19. PENSION COMMITMENTS (continued)

Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):

	2019 %	2018 %
Weighted average assumptions to determine benefit obligations		
Discount rate	2.06	2.87
Future salary increases	2.80	2.90
Rate of price inflation (RPI)	2.73	3.15
Rate of price inflation (CPI)	2.11	2.15
Rate of statutory pension increase in deferment	2.11	2.15
Assumed life expectations on retirement at age 65		
- for a male aged 65 now	23.6	23.0
- at 65 for a male aged 45 now	24.7	24.3
- for a female aged 65 now	25.4	24.9
- at 65 for a female member aged 45 now	26.6	26.4
Weighted average assumptions to determine cost relating to defined benefit plans		
Discount rate	2.9	2.53
Rate of salary increase	2.9	2.86
Rate of price inflation (RPI)	3.15	3.11
Rate of price inflation (CPI)	2.15	2.11

MARSH SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

19. PENSION COMMITMENTS (continued)

Defined contribution scheme

Prior to 1 August 2014, the Group also operated a defined contribution scheme for employees who were not eligible or chose not to join the defined benefit scheme.

From 1 August 2014, the Company's defined benefit section of the pension scheme and the existing defined contribution plan were both closed to future benefit accrual. All future pension benefits from 1 August 2014 are provided under a new defined contribution section of the pension scheme. The Company made defined contribution payments of £22 million during 2019 (2018: £21 million).

On 27 November 2019, the Company entered into an agreement with the Trustees of the Jardine Lloyd Thompson Pension Scheme whereby it became a participating employer in the Scheme, with the intent of assuming the Scheme obligations of JLT Management Services Limited, JLT Reinsurance Brokers Limited and JLT Specialty Limited via a Flexible Apportionment Arrangement that was subsequently implemented with effect from 1 January 2020. The Jardine Lloyd Thompson Pension Scheme had a deficit under FRS 102 of around £199 million at 31 December 2019, the vast majority of which was apportioned to Marsh Services Limited on 1 January 2020. During 2019, Marsh Services Limited did not have any obligation to make deficit contributions to the Scheme. In accordance with the established policy for allocating the net defined benefit cost of the Scheme between the participating employers based on each employer's liability share, the allocation of the net defined benefit cost to Marsh Services Limited in 2019 was zero. In 2020, the expected contributions to the Jardine Lloyd Thompson Pension Scheme attributable to Marsh Services Limited are £21m.

20. POST-RETIREMENT MEDICAL

The Company operates an unfunded non-contributory scheme for medical benefits. As part of this scheme, defined medical benefits are provided to certain retired UK members who started their services with the Company on or prior to 1 December 1988 and completed five years of service with the Company at retirement. This group of pensioners is entitled to fully insured benefits in retirement for themselves, their spouses and eligible dependants. On a pensioner's death the benefit continues for the widow or widower until their death. As at 31 December 2019 there were 315 (2018: 328) pensioners in receipt of these benefits.

A full actuarial valuation of the accrued liability and annual charge in respect of post retirement medical benefit was carried out as at 31 December 2019 by a qualified actuary (who is employed by the Company). The method used was the project unit method. The major assumptions used for the actuarial valuation were (in nominal terms):

Assumptions	31 December 2019	31 December 2018	31 December 2017	31 December 2016	31 December 2015
Gross interest rate	1.8%	2.9%	2.6%	2.7%	3.9%
Medical cost trend rate for one year	5.4%	5.4%	5.4%	6.8%	8.2%
Medical cost trend rate after one year	5.4%	5.4%	5.4%	5.4%	5.4%

Interest on scheme liabilities in 2019 in respect of post retirement medical benefits under the requirement of FRS 102 that were recognised in the statement of comprehensive income in the year to 31 December 2019 was £0.1 million (2018: £0.2 million).

MARSH SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

20. POST-RETIREMENT MEDICAL (continued)

The following amounts have been recognised in the performance statements in the year to 31 December 2019 in respect of post retirement medical benefits under the requirements of FRS 102:

	2019	<i>2018</i>
	£m	<i>£m</i>
Analysis of the actuarial gain in the Comprehensive Income Statement		
Effects of changes in assumptions underlying the present value of scheme liabilities	2.0	<i>3.0</i>
	<hr/>	<hr/>
Actuarial gain	2.0	<i>3.0</i>
	<hr/>	<hr/>

	2019	<i>2018</i>
	£m	<i>£m</i>
Movement in scheme liability during the year:		
Liability in the scheme at 1 January	(4)	<i>(7)</i>
Utilisation of provision	(1)	<i>-</i>
Actuarial gain	2	<i>3</i>
	<hr/>	<hr/>
Liability in the scheme at 31 December	(3)	<i>(4)</i>
	<hr/>	<hr/>

	2019	2018	2017	2016
History of experience gains and losses				
Experience gains/(losses) on scheme liabilities:				
Amount (£'m)	0.1	0.1	<i>0.8</i>	<i>0.4</i>
Percentage of the present value of the scheme liabilities (%)	3.5%	4.8%	<i>12.3%</i>	<i>7.0%</i>
Total actuarial gain/(loss) recognised gains and losses:				
Amount (£'m)	1.8	2.4	<i>(1.4)</i>	<i>1.9</i>
Percentage of the present value of the scheme liabilities (%)	60.0%	57.1%	<i>21.5%</i>	<i>33.3%</i>

21. RELATED PARTY TRANSACTIONS

Advantage has been taken of the exemption under FRS 102 Section 33.1A not to disclose transactions between entities within the Marsh Group, where no less than 100% of voting rights are controlled within the Marsh & McLennan Companies, Inc. Group, whose consolidated financial statements are publicly available. There are no other transactions requiring disclosure.

MARSH SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

22. POST BALANCE SHEET EVENT

Covid-19

On March 11, 2020, the World Health Organization declared the Coronavirus (Covid-19) a pandemic. Developments in the first half of 2020 have created significant uncertainty about the impact on the global economy and has 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 (i.e. an event that is indicative of a condition that arose after the end of the reporting period). Based on the most recent interim management information, there has not been a significant impact of Covid-19 on the net liabilities of the Company, however, due to the evolving nature of this situation, the Company continues to monitor the impact of Covid-19 on results. It has been able to produce estimates through stress testing of different scenarios that provide a reasonable expectation that the Company has adequate resources to continue in operational existence.

The impact of the Covid-19 pandemic on the net pension asset is uncertain and cannot be predicted. The UK pension plan has significant liability driven investments to reduce net pension asset volatility by hedging a majority of interest rate, inflation and pensioner longevity risks. Over Q1 of 2020, the net pension asset is estimated to have increased mainly due to the increase in AA corporate bond yields and credit spreads. This resulted in a higher discount rate that, along with lower market-implied price inflation, placed a lower value on the pension plan liabilities, which more than offset falls in asset values. However, the Covid-19 pandemic has caused significant market volatility and the uncertain outlook means that there is a wide range of possible future outcomes for the pension plan assets, discount rate, inflation and mortality.

Transfers of colleagues

On 1 April 2019, Marsh & McLennan Companies, Inc. ("MMC"), the Company's ultimate parent, completed the purchase of Jardine Lloyd Thompson Group plc ("JLT"). As a first phase of the integration, in December 2019 a number of JLT companies internally transferred under different ownership structures within MMC. In 2020 the second stage of business integration and legal entity rationalisation progressed further, and there were TUPE transfer arrangements whereby, after a consultation process, some of the employees of former JLT Companies and their pension scheme liabilities transferred into the Company, centralising the employment of colleagues within the United Kingdom for the Risk & Insurance solutions operations of MMC.

On 1 January 2020, the employees of JLT Reinsurance Brokers Limited and JLT Management Services Limited transferred into the Company. On 1 March 2020 the employees of JLT Specialty Limited transferred into the Company. This will substantially increase the size of the Company from 2020.

Alongside the transfers of JLT employees, the Company also became a participating employer in the JLT pension scheme, as set out in note 19.

MARSH SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

23. CONTROLLING PARTY

The Company's immediate parent company is MMC UK Group Limited, registered in England and Wales. The Company's ultimate parent company and controlling entity is Marsh & McLennan Companies, Inc., incorporated in the state of Delaware, USA.

The smallest and largest group in which the results of Marsh Services Limited are consolidated is that headed by 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.