

Company number: 02567540

Independent Trustee Services Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018



Independent Trustee Services Limited

Company number: 02567540

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Independent Trustee Services Limited

Company number: 02567540

Company Information

Directors

R Croft
H Kotecha
C P V Martin
D Visavadia
J Wood
H A Frisby
M Evans

Registered office

1st Floor, Buckhurst House,
42-44 Buckhurst Avenue,
Sevenoaks,
Kent, TN13 1LZ

***Independent
Auditors***

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

Independent Trustee Services Limited

Company number: 02567540

Strategic Report for the Year Ended 31 December 2018

The directors present their Strategic Report of Independent Trustee Services Limited ('the Company') for the year ended 31 December 2018.

Principal Activities

Independent Trustee Services Limited forms part of the Employee Benefits Division of Jardine Lloyd Thompson Group Plc ('the Group').

The principal activity of the Company was to act as independent corporate trustee to pension funds.

Business Review

Turnover for the year of £5,228,103 (2017 restated: £5,064,379) increased by 3.2% on 2017.

All staff of the Company are employed by the immediate parent of the Company, JLT Benefit Solutions Limited, and then recharged to the Company by means of a management charge. This charge amounted to £3,960,692 for the current year (2017 restated: £3,712,154). The management recharge received therefore includes an element of direct staff attributable cost which amounted to £3,006,444 in the year (2017 restated: £2,772,861).

Operating profit of £1,326,502 (2017 restated: £1,229,609) produced an underlying trading margin of 25.4%, compared to 24.3% last year.

Profit before taxation amounts to £1,815,940 (2017 restated £1,549,794).

The results of the Company for the year ended 31 December 2018 are set out in the financial statements on pages 12 to 39.

Key Performance Indicators (KPIs)

The Company has selected year on year revenue increase/decrease, contribution and trading margin as key metrics for monitoring its performance.

Year on year revenue increase/decrease - defined as increase or decrease in turnover over the prior year as a percentage of prior year.

Contribution - defined as turnover less direct staff attributable costs recharged from immediate parent, JLT Benefit Solutions Limited.

Trading margin - defined as trading profit, being turnover less expenses for continuing operations (excluding exceptional items and impairment charges before interest payable and interest earnings on own funds), as a percentage of turnover.

	Unit	2018	2017
Year on year revenue increase/(decrease)	%	3.20	(1.90)
Contribution	£'000	2,221.66	2,291.52
Trading margin	%	25.40	24.30

Independent Trustee Services Limited

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Strategic Report for the Year Ended 31 December 2018

Principal risks and uncertainties and financial risk management

On an on-going basis, management profiles the significant risks, both operational and strategic, faced by the Company and reviews the effectiveness of risk management controls including loss prevention and recovery planning. The principle risks identified are as follows:

Strategic and Operational Risks

Strategic Risks

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

Mitigation

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

Loss of Key Staff

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

Mitigation

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

Business Interruption

Risk of business arising from a major external event.

Mitigation

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

Loss of IT Environment

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

Mitigation

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

Information Security

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

Mitigation

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

Independent Trustee Services Limited

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Strategic Report for the Year Ended 31 December 2018

Principal risks and uncertainties and financial risk management (continued)

Conduct of Business Risks

Errors & Omissions

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

Mitigation

- Operating procedures and compliance policy
- Continuous training in errors & omissions avoidance
- Formal and regular process of compliance monitoring
- Strong procedural and systems controls including workflow management
- Insurance

Regulatory Sanctions/Financial Crime

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

Mitigation

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

Financial Risks

Capital Risk and Liquidity

Risks arising from an inability to maintain sufficient working capital, appropriate to the volume of trading.

Mitigation

- Regular cash flow forecasting
- Regular impairment testing of loans receivable from fellow JLT Group subsidiaries
- Dividend planning
- Quarterly reviews of the Company balance sheet

Independent Trustee Services Limited

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Strategic Report for the Year Ended 31 December 2018

Financial Risks

Counterparty Risk


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

Mitigation

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

The Company is not exposed to Pricing Risk.

Approved by the Board on ... 01/01/19 and signed on its behalf by:


.....
C P V Martin
Director

Independent Trustee Services Limited

Company number: 02567540

Directors' Report for the Year Ended 31 December 2018

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2018.

Directors of the company

The directors of the Company set out below held office during the year ended 31 December 2018 and up to the date of signing these financial statements.

P A Askins (resigned 1 January 2019)

R Croft

H Kotecha

C P V Martin

C A Perry (resigned 13 April 2018)

J Tinn (resigned 31 May 2018)

D Visavadia

P Wadsworth (appointed 1 May 2018 and Resigned 10 June 2019)

R V Whitefoord - Chairman (resigned 1 May 2018)

J Wood

H A Frisby (appointed 1 May 2018)

The following director was appointed after the year end:

M Evans (appointed 29 January 2019)

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

Financial risk management

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

Dividends

The directors do not recommend a final dividend (2017:nil) to be made in respect of the financial year ended 31 December 2018.

Charitable donations

During the year the Company made no charitable donations (2017: £Nil).

Future developments

The business is well positioned to continue to achieve its financial goals. The business does however continue to face challenges in an ever changing pensions landscape in the UK and has detailed a strategic plan to ensure it is prepared to meet these challenges and take advantage of the opportunities they present.

Creditor payment policy

Independent Trustee Services Limited

Company number: 02567540

Directors' Report for the Year Ended 31 December 2018

The Company agrees payment terms with suppliers when it enters into contracts for the purchase of goods or services and seeks to abide by those terms when it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

Payment of suppliers has been centralised for all UK operating companies of Jardine Lloyd Thompson Group Ltd, and is carried out by JLT Management Services Limited and then recharged onto the Company by means of an inter-company recharge. The Group does not have a standard or code that deals specifically with the payment of suppliers.

Important non adjusting events after the financial period

The non-adjusting event relating to the acquisition of the JLT Group by MMC and management buy-out of the company from MMC group has been noted in Note 14 of the Financial Statements.

Statement of disclosure of information to the auditors

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

Appointment of auditors

Following the acquisition of JLT Group by MMC, PricewaterhouseCoopers LLP will tender their resignation. New auditors will therefore be appointed in line with Section 485 of the Companies Act 2006.

Approved by the Board on 01/10/19 and signed on its behalf by:



.....
C P V Martin
Director

Independent Trustee Services Limited

Company number: 02567540

Statement of Directors' Responsibilities

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

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent Trustee Services Limited

Company number: 02567540

Independent auditor's Report to the members of Independent Trustee Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Independent Trustee Services Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: Balance Sheet as at 31 December 2018; Statement of Changes in Equity for the Year Ended 31 December 2018; Profit and Loss Account for the Year Ended 31 December 2018; Statement of Comprehensive Income for the Year Ended 31 December 2018; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Independent Trustee Services Limited

Company number: 02567540

Independent auditor's Report to the members of Independent Trustee Services Limited

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in Page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Independent Trustee Services Limited

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Independent auditor's Report to the members of Independent Trustee Services Limited

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

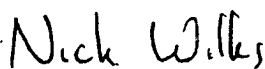
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.


.....
Nick Wilks (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditor

London

Date: 1/10/19.....

Independent Trustee Services Limited

Company number: 02567540

Profit and Loss Account for the Year Ended 31 December 2018

	Note	2018 £	2017 restated £
Turnover	3	5,228,103	5,064,378
Administrative expenses		<u>(3,901,601)</u>	<u>(3,834,769)</u>
Operating profit	4	1,326,502	1,229,609
Interest receivable and similar income	5	<u>489,438</u>	<u>320,185</u>
Profit before taxation		1,815,940	1,549,794
Tax on profit	9	<u>(46,746)</u>	<u>(38,880)</u>
Profit for the financial year		<u>1,769,194</u>	<u>1,510,914</u>

The above results were derived from continuing operations.

The notes on pages 16 to 39 form an integral part of these financial statements.

Independent Trustee Services Limited

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Statement of Comprehensive Income for the Year Ended 31 December 2018

	2018 £	2017 restated £
Profit for the financial year	<u>1,769,194</u>	<u>1,510,914</u>
Total comprehensive income for the year	<u>1,769,194</u>	<u>1,510,914</u>

The notes on pages 16 to 39 form an integral part of these financial statements.

Independent Trustee Services Limited

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Balance Sheet as at 31 December 2018

	Note	2018 £	2017 restated £
Current assets			
Debtors	10	9,770,465	7,959,256
Cash at bank and in hand		<u>20,637</u>	<u>22,874</u>
		9,791,102	7,982,130
Creditors: Amounts falling due within one year	11	<u>(350,083)</u>	<u>(300,387)</u>
Net assets		<u>9,441,019</u>	<u>7,681,743</u>
Capital and reserves			
Called up share capital	12	100	100
Profit and loss account		<u>9,440,919</u>	<u>7,681,643</u>
Total shareholders' funds		<u>9,441,019</u>	<u>7,681,743</u>

The financial statements on pages 12 to 39 were approved by the Board on 21/1/19 and signed on its behalf by:



.....
C P V Martin
Director

Independent Trustee Services Limited

Company number: 02567540

Statement of Changes in Equity for the Year Ended 31 December 2018

	Called up share capital £	Profit and loss account £	Total shareholders' funds £
At 1 January 2018	100	7,671,725	7,671,825
Profit for the financial year	-	1,769,194	1,769,194
Total comprehensive income for the year	-	1,769,194	1,769,194
At 31 December 2018	100	9,440,919	9,441,019

	Called up share capital £	Profit and loss account £	Total shareholders' funds £
At 1 January 2017	100	6,170,729	6,170,829
Profit for the financial year	-	1,510,914	1,510,914
Total comprehensive income for the year	-	1,510,914	1,510,914
At 31 December 2017	100	7,681,643	7,681,743

Independent Trustee Services Limited

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Notes to the Financial Statements for the Year Ended 31 December 2018

1 General information

The company is a private company limited by share capital, incorporated in the United Kingdom.

The address of its registered office is:

1st Floor, Buckhurst House,
42-44 Buckhurst Avenue,
Sevenoaks,
Kent, TN13 1LZ

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

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

These financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006.

New standards, amendments and IFRIC interpretations

IFRS 9 and IFRS 15 are new accounting standards that are effective for the year ended 31 December 2018. However, IFRS 15 did not have a material impact on the company. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2018, that have had a material impact on the company.

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Notes to the Financial Statements for the Year Ended 31 December 2018

Summary of disclosure exemptions

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

1. IFRS 7 "Financial Instruments disclosures" as the equivalent disclosures are included in the consolidated financial statements of the Group.
2. Paragraph 30 and 31 of IAS 8 "Accounting policies, changes in accounting estimates and errors" in respect of the requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective.
3. IAS 24 "Related party disclosures" in respect of the disclosure of related party transactions entered into between two or more members of a Group.
4. IAS 7 "Statement of cash flows" in respect of the preparation of a statement of cash flow.
5. The following paragraphs of IAS 1 "Presentation of financial statements":
 - i. Paragraph 79(a)(iv) of IAS 1 in respect of the disclosure of the number of shares outstanding at the beginning and at the end of the period
 - ii. Paragraph 10(d) in respect of the disclosure of Statement of cash flows
 - iii. Paragraph 10(f) in respect of the Balance Sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements
 - iv. Paragraph 16 in respect of the statement of compliance with all IFRS
 - v. Paragraph 38A in respect of the requirement for minimum of two primary statements, including cash flow statements
 - vi. Paragraph 40A-D in respect of the requirement for a third balance sheet when an accounting policy is applied retrospectively or makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements,
 - vii. Paragraph 111 in respect of cash flow information which provides users of financial statements with a basis to assess the ability of the entity to generate cash and cash equivalents and the needs of the entity to utilise those cash flows
6. Paragraphs 134(d-f) and 135(c-e) of IAS 36 "Impairment of assets" in respect of assumptions involved in estimating recoverable amounts of cash generating units containing goodwill or intangible assets with indefinite useful lives and management's approach to determining these amounts.
7. The following paragraphs of IFRS15 "Revenue from contracts"
 - i. Paragraph 114, 115 - disaggregation revenue
 - ii. Paragraph 118 - Explanation of the significant changes in the contract asset and contract liability balances.
 - iii. Paragraph 120-2 - Transaction price allocated to the remaining performance obligations
 - v. Paragraph 129 - The practical expedients used.

Turnover recognition

Income is Fees charged on a time-cost or fixed-fee basis and these are recognised in line with the work carried out by the Company.

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Notes to the Financial Statements for the Year Ended 31 December 2018

Revenue

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

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

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

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

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

Contract warranties and indemnities are not a significant feature of the Company's business. Incremental costs to obtain a contract and contract fulfilment costs are capitalised and amortised to profit or loss on a systematic basis to match the recognition of revenue as the service is delivered to the client. Such costs are capitalised only where the Company expects to recover these costs, and, in the case of incremental costs to obtain a contract, where the amortisation period of the asset is more than 1 year. Additionally, in respect of contract fulfilment costs, these costs must relate directly to the contract, generate assets used to satisfy the contractual performance obligations, and do not qualify to be recognised as an asset under other accounting standards.

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

Independent Trustee Services Limited

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Notes to the Financial Statements for the Year Ended 31 December 2018

Employee benefits

Fee-based revenue is recognised in line with the distinct and separate performance obligations in the contract.

Fulfilment costs, which may include data transfer and other set up costs, are amortised in line with the recognition of revenue for the specific performance obligation.

The likelihood of cancellation is assessed based on past performance of similar contracts and a resulting deferral of revenue is made.

Commission-based remuneration revenue is considered to be wholly related to the placement activity and recognised at the later of the policy inception date, or the date on which the placement is complete and confirmed.

Other services

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

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

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

Investment income

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

Contract assets

Where goods or services are transferred to the customer before the customer pays consideration, or before payment is due, Contract assets are recognised. Contract assets are included in the statement of financial position and represent the right to consideration for products delivered.

Contract assets are classified as current and non-current based on the company's normal operating cycle and are assessed for impairment at each reporting date

Contract liabilities

Contract liabilities and customer deposits are recognised in the statement of financial position when the company has received consideration but still has an obligation to deliver products and meet performance obligations for that consideration.

Income and Deferred Tax

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

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Notes to the Financial Statements for the Year Ended 31 December 2018

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

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

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

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

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

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

Dividend distribution

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

Critical accounting estimates and judgments

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

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

Independent Trustee Services Limited

Company number: 02567540

Notes to the Financial Statements for the Year Ended 31 December 2018

Impairment of assets

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

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

Impairment of trade receivables

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

Errors and omissions liability

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

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

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

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

Independent Trustee Services Limited

Company number: 02567540

Notes to the Financial Statements for the Year Ended 31 December 2018

Financial instruments (post January 2018)

Initial recognition

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

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

Financial assets at amortised cost

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

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

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

Independent Trustee Services Limited

Company number: 02567540

Notes to the Financial Statements for the Year Ended 31 December 2018

Financial assets at fair value through other comprehensive income (FVTOCI)

Debt Instruments.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Equity instruments.

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

Financial assets at fair value through the profit or loss (FVTPL)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

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

Independent Trustee Services Limited

Company number: 02567540

Notes to the Financial Statements for the Year Ended 31 December 2018

Impairment of financial assets

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

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

- Lifetime expected credit losses (ECLs): ECLs that result from all possible default events over the expected life of a financial instrument; and
- 12-month ECLs: The portion of lifetime ECLs that result from possible default events within the 12 months after the reporting date

The Company measures credit loss allowances on financial assets at an amount equal to lifetime ECLs, except for the following financial assets, which are measured as 12-month ECLs:

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

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

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

- there is evidence that the amount is unlikely to be paid in full, without recourse by the Company to actions such as realising collaterals (if any is held); or
- the financial asset is connected to a business with whom we no longer have a relationship and is longer than 3 months past due.

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

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

Independent Trustee Services Limited

Company number: 02567540

Notes to the Financial Statements for the Year Ended 31 December 2018

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

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

Credit loss allowances relating to trade and other receivables, including contract assets, are presented separately in the income statement. Impairment losses on financial assets other than trade and other receivables are presented as 'finance costs'.

The Company writes off financial assets measured at amortised cost when the view is that the amount is non recoverable and that all reasonable efforts have been made to collect the outstanding amounts

FINANCIAL LIABILITIES

All financial liabilities, except for derivative instruments, are measured at amortised cost. Interest expense is recognised in the income statement at the effective rate.

Accounting estimates and assumptions

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

- the number of performance obligations in a single contract;
- the determination of whether a performance obligation has been completed;
- the costs and time associated with the various performance obligations; and

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

Revenue is recognised when separate performance obligations are completed. A key judgement in this business is the identification of the various performance obligations and determining whether the contract contains revenue that should be recognised over the contractual periods.

3 Turnover

All turnover and profit before taxation is derived from within the United Kingdom and is attributable to the principal activity of the Company, which is to act as independent corporate trustee to pension funds. The analysis of the company's revenue for the year from continuing operations is as follows:

	2018 £	2017 restated £
Independent trustee to corporate pension schemes	<u>5,228,103</u>	<u>5,064,378</u>

Independent Trustee Services Limited

Company number: 02567540

Notes to the Financial Statements for the Year Ended 31 December 2018

4 Operating profit

Arrived at after charging

	2018 £	2017 restated £
Management charges from other group companies	(3,960,692)	(3,712,154)
Other	<u>59,091</u>	<u>(122,615)</u>
	<u>(3,901,601)</u>	<u>(3,834,769)</u>

5 Interest receivable and similar income

	2018 £	2017 restated £
Interest receivable - Group	<u>489,438</u>	<u>320,185</u>

6 Staff costs

The Company did not employ any staff directly. The remuneration paid to directors was paid through fellow group subsidiary JLT Benefit Solutions Limited.

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2018 £	2017 restated £
Remuneration	1,220,994	1,276,425
Contributions paid to money purchase schemes	<u>23,769</u>	<u>62,463</u>
	<u>1,244,763</u>	<u>1,338,888</u>

Independent Trustee Services Limited

Company number: 02567540

Notes to the Financial Statements for the Year Ended 31 December 2018

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

	2018 No.	2017 restated No.
Accruing benefits under defined benefit pension scheme	-	1
Accruing benefits under money purchase pension scheme	<u>11</u>	<u>8</u>

All directors remuneration is paid by fellow Group subsidiary, JLT Benefit Solutions Limited.

In respect of the highest paid director:

	2018 £	2017 restated £
Remuneration	324,671	301,707
Company contributions to money purchase pension schemes	13,983	13,997

8 Auditors' remuneration

	2018 £	2017 restated £
Audit of the Company	<u>8,713</u>	<u>8,500</u>

The Auditors' remuneration is paid, on behalf of the Company, by a fellow subsidiary, JLT Benefit Solutions Limited.

Independent Trustee Services Limited

Company number: 02567540

Notes to the Financial Statements for the Year Ended 31 December 2018

9 Tax on profit

	2018 £	2017 restated £
Current tax expense		
Current year	344,800	298,282
Adjustments in respect of prior periods	<u>(298,282)</u>	<u>(259,402)</u>
	<u>46,518</u>	<u>38,880</u>
Deferred tax expense		
Origination and reversal of temporary differences	204	-
Reduction in tax rate	<u>24</u>	<u>-</u>
	<u>228</u>	<u>-</u>
Total income tax expense	<u>46,746</u>	<u>38,880</u>

The headline rate of UK corporation tax is currently 19%, this will reduce to 17% from 1 April 2020. As at 31 December 2018, the rate reduction to 17% from April 2020 has been enacted. The impact of the rate reduction to 17% has been incorporated into the income tax charge for the year ended 31 December 2018, taking into consideration when temporary differences are expected to reverse.

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

	2018 £	2017 restated £
Profit before taxation	<u>1,815,940</u>	<u>1,549,794</u>
Tax calculated at UK Corporation Tax rate of 19.00% (2017: 19.25%)	345,028	298,282
Adjustment in respect of prior years	<u>(298,282)</u>	<u>(259,402)</u>
Effect of reduction in UK tax rate	24	-
Rate difference on current year movement	<u>(24)</u>	<u>-</u>
Total tax charge	<u>46,746</u>	<u>38,880</u>

Independent Trustee Services Limited

Company number: 02567540

Notes to the Financial Statements for the Year Ended 31 December 2018

Deferred tax

Deferred tax movement during the year:

	At 1 January 2018 £	Recognised in Income £	At 31 December 2018 £
Revaluation of property, plant and equipment	-	-	-
Provisions	-	-	-
Tax losses carry-forwards	-	-	-
Deferred income	-	-	-
Revaluation of intangible assets	-	-	-
Other items	2,089	(228)	1,861
Pension benefit obligations	-	-	-
Share-based payment	-	-	-
Financial assets at fair value through profit or loss	-	-	-
Net tax assets/(liabilities)	<u>2,089</u>	<u>(228)</u>	<u>1,861</u>

Deferred tax movement during the prior year:

	At 1 January 2017 £	At 31 December 2017 restated £
Revaluation of property, plant and equipment	-	-
Provisions	-	-
Tax losses carry-forwards	-	-
Deferred income	-	-
Revaluation of intangible assets	-	-
Other items	-	-
Pension benefit obligations	-	-
Share-based payment	-	-
Financial assets at fair value through profit or loss	-	-
Net tax assets/(liabilities)	<u>-</u>	<u>-</u>

10 Debtors

	2018 £	2017 restated £
Trade receivables	1,315,479	1,187,859
Amounts owed by group undertakings	7,998,087	6,428,319
Contract Assets	455,038	343,078
Deferred tax assets	1,861	-
Total current trade and other receivables	<u>9,770,465</u>	<u>7,959,256</u>

An effective interest rate of 2.41% (2017: 2.30%) has been charged on amounts due from group undertakings. The remaining amounts are unsecured, interest free and repayable on demand.

Independent Trustee Services Limited

Company number: 02567540

Notes to the Financial Statements for the Year Ended 31 December 2018

11 Creditors: Amounts falling due within one year

	2018 £	2017 restated £
Other payables	(1)	-
Income tax liability	344,800	298,282
Contract Liabilities	5,284	2,105
	<u>350,083</u>	<u>300,387</u>

12 Called up share capital

Allotted, called up and fully paid shares

	No.	2018 £	No.	2017 £
Ordinary Shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

13 Parent and ultimate parent undertaking

The immediate parent undertaking is JLT Benefit Solutions Limited.

Jardine Lloyd Thompson Group plc was the ultimate parent company for which consolidated group accounts are prepared and of which the company is a member. Copies of the consolidated accounts are available at Companies House (<https://beta.companieshouse.gov.uk/>).

Effective 1 April 2019, the ultimate parent undertaking became Marsh & McLennan Companies Inc.

14 Non adjusting events after the financial period

The Company's Ultimate Parent Company Jardine Lloyd Thompson Group Plc and its subsidiaries were acquired by Marsh & McLennan Companies, Inc. on the 1st April 2019.

Independent Trustee Services Limited and Leadenhall Independent Trustees Limited were purchased by Gala Holdings Ltd. on 31st May 2019. This constituted a management buy-out and the deal completed on the 10th June 2019, with an effective economic date of 31st May 2019. Gala Holdings Ltd. purchased the aforementioned companies from the previous parent company, JLT Benefit Solutions Limited.

Independent Trustee Services Limited

Company number: 02567540

Notes to the Financial Statements for the Year Ended 31 December 2018

Changes in Accounting Policy

A) NEW ACCOUNTING POLICIES IN RESPECT OF FINANCIAL INSTRUMENTS AND REVENUE RECOGNITION

Financial Instruments

The adoption of IFRS 9 has resulted in changes in the Company's accounting policies for the recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. Set out below are the Company's accounting policies relating to financial instruments on adoption of IFRS 9. These accounting policies were applied to the Company's financial instruments from 1 January 2018.

Financial instruments disclosed for the comparative 2017 financial period were accounted for in accordance with the accounting policies

Revenue Recognition

The adoption of IFRS 15 has resulted in changes in the Company's accounting policies for the recognition and measurement of revenue.

These accounting policies were applied retrospectively to the Company's financial statements from 1 January 2017.

B) IMPACT ON THE FINANCIAL STATEMENTS

The following tables show the adjustments recognised for each individual line item in the Company's Balance Sheet as at 31 December 2017, Income Statement as at 31 December 2017 and Statement of Comprehensive Income as at 31 December 2017

Independent Trustee Services Limited

Company number: 02567540

Notes to the Financial Statements for the Year Ended 31 December 2018

TRANSITION TO IFRS 15 AND IFRS 9 BALANCE SHEET **As at 31 December 2017 and 1 January 2018**

Statement of financial position	31 Dec 2017	IFRS 15	31 Dec 2017 Restated	IFRS 9	1 Jan 2018 Restated
Current Assets					
Debtors	7,959,256	-	7,959,256	(9,918)	7,949,338
Cash at bank and in hand	22,874		22,874		22,874
Creditors: Amounts falling due within one year	(300,387)		(300,387)		(300,387)
Net Assets					
	7,681,743		7,681,743	(9,918)	7,671,825
Non current liabilities					
Capital and Reserves	(100)		(100)		(100)
Profit and loss account	(7,681,643)		(7,681,643)	9,918	(7,671,725)
Total shareholders' funds	(7,681,743)		(7,681,743)	9,918	7,671,825

Independent Trustee Services Limited

Company number: 02567540

Notes to the Financial Statements for the Year Ended 31 December 2018**TRANSITION TO IFRS 15 AND IFRS 9 INCOME STATEMENT**
Audited Results for the year ended 31 December 2017

	As originally presented 31 Dec 2017	IFRS 15 adjustments	Restated 31 December 2017
Turnover	5,064,378		5,064,378
Administrative Expenses	(3,834,769)		(3,834,769)
Operating Profit			
	1,229,609		1,229,609
Interest receivable and similar income	320,185		320,185
Profit before taxation	1,549,794		1,549,794
Tax on Profit	(38,880)		(38,880)
Profit for the financial year	1,510,914		1,510,914

Independent Trustee Services Limited

Company number: 02567540

Notes to the Financial Statements for the Year Ended 31 December 2018

**TRANSITION TO IFRS 15 AND IFRS 9
STATEMENT OF COMPREHENSIVE INCOME**

	As originally presented 31 Dec 2017	IFRS 15 adjustments	Restated 31 December 2017
Profit for the period	1,510,914	-	1,510,914
Other comprehensive income for the year	1,510,914	-	1,510,914

Independent Trustee Services Limited

Company number: 02567540

Notes to the Financial Statements for the Year Ended 31 December 2018

D) IFRS 9 FINANCIAL INSTRUMENTS - IMPACT OF ADOPTION

The Company adopted the requirements of IFRS 9 in respect of classification and measurement and impairment from 1 January 2018 on a prospective basis in accordance with the transition provisions of IFRS 9. The 2017 comparatives have not been restated; any impact to retained earnings on adoption of the new requirements has been recognised in the Company's Balance Sheet as at 1 January 2018. The Company has elected to continue to apply the IAS 39 requirements in respect of hedge accounting as provided by paragraph 7.2.21 of IFRS 9.

The total impact on the Company's retained earnings as at 1 January 2018 is as follows:

	1 January 2018
Retained earnings - restated for adoption of IFRS 15	7,681,643
<i>Increase in provision for trade receivables and contract assets, net of tax</i>	<i>(9,918)</i>
<i>Recycling of the fair value reserves to retained earnings</i>	
Adjustment to retained earnings from adoption of IFRS 9 on 1 January 2018	(12,007)
Taxation on adjustments	2,089
Retained earnings - restated for adoption of IFRS 15 and IFRS 9	<u>7,671,725</u>

I) Classification and measurement

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. IFRS 9 eliminates the previous IAS 39 categories for financial assets of held-to-maturity ('HTM'), loans and receivables and available-for-sale ('AFS'), and replaces these categories with two principal measurement and classification categories - fair value through other comprehensive income ('FVOCI') and amortised cost. The fair value through profit or loss ('FVTPL') classification category for financial assets has been retained. IFRS 9 has not significantly changed the classification and measurement rules in respect of financial liabilities.

On 1 January 2018, the Company's management has assessed which business models apply to the financial assets held by the Company and has reclassified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Independent Trustee Services Limited

Company number: 02567540

Notes to the Financial Statements for the Year Ended 31 December 2018

			Closing balances as at 31 Dec 2017 (restated for IFRS 15)	Opening balances as at 1 Jan 2018
			Original measurement category under IAS 39	New measurement category under IFRS 9
		Notes	Loans and receivables	FVTPL
Trade receivables and Debtors	Other	Reclassify trade receivables from loans and Other Debtors amortised cost/FVTPL	(3) 1,187,859	1,175,852

Independent Trustee Services Limited

Company number: 02587540

Notes to the Financial Statements for the Year Ended 31 December 2018

(1) Reclassification from available-for-sale to amortised cost

Certain investments in fixed term deposits were reclassified from available-for-sale to amortised cost on adoption of IFRS 9. At the date of initial application the Company's business model is to hold these investments for the collection of the principal and the interest. As no fair value movement had been recognised in previous periods, there is no impact on retained earnings on reclassification.

(2) Reclassification from available-for-sale to fair value through other comprehensive income/fair value through profit or loss

A receivable relating to contingent consideration was classified as an available-for-sale debt instrument under IAS 39. The contractual cash flows of this receivable do not represent solely payments of principal and interest, with the result that the receivable does not qualify to be measured at amortised cost or fair value through other comprehensive income under IFRS 9. Consequently, it has been reclassified to the fair value through profit or loss measurement category on adoption of IFRS 9. As no fair value movement had been recognised in previous periods, there is no impact on retained earnings on reclassification.

(3) Reclassification from loans and receivables to amortised cost/fair value through profit or loss

These reclassifications to the appropriate IFRS 9 measurement categories have no impact on the presentation on the balance sheet.

(4) Reclassification of cash and cash equivalents from loans and receivables to amortised cost/FVTPL

These reclassifications to the appropriate IFRS 9 measurement categories have no impact on the presentation on the balance sheet. Money market funds investments are measured at fair value through profit or loss under IFRS 9 as they do not meet the criteria to be measured at amortised cost, on account of the contractual cash flows not representing solely payments of principal and interest. The investments continue to be classified as cash equivalents on the basis of their liquid nature.

Independent Trustee Services Limited

Company number: 02567540.

Notes to the Financial Statements for the Year Ended 31 December 2018

ii) Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss ('ECL') model. The new impairment model applies to financial assets measured at amortised cost, certain contract assets and debt instruments measured at fair value through other comprehensive income, but not to investments in equity instruments measured at fair value through other comprehensive income. Under IFRS 9 an entity is required to make ongoing assessments of estimated ECLs to reflect the general pattern of deterioration or improvement in the credit quality of financial assets since initial recognition. One consequence of this change is that credit losses are recognised earlier than under IAS 39.

The application of IFRS 9's impairment requirements at 1 January 2018 resulted in £0.8 million additional credit loss allowance, which has been recognised as a reduction of the Company's retained earnings as at 1 January 2018. Related net deferred tax assets amounting to £0.1 million have been recognised.

The Company applies the IFRS 9 simplified approach to measure ECLs on trade receivables and certain contract assets. Under this approach, the credit losses expected over the life of trade receivables and contract assets are recognised on the Balance Sheet at each reporting date. Contract assets within the scope of IFRS 9's impairment requirements represent unbilled consideration for which goods or services have been delivered, but the right to consideration is dependent on other additional conditions unrelated to the passage of time. They are therefore considered to possess the same risk characteristics as trade receivables, and have been assessed together with trade receivables as a single group of financial assets. The average loss rate of trade receivables is considered a reasonable approximation of the ECLs on contract assets when they are eventually invoiced.

ECLs on financial assets other than trade receivables and contract assets are calculated based on the ECL within the next 12 months when no material increase of credit risk has occurred between the inception and the reporting period. The impact of the change in methodology on the Company's retained earnings and equity is immaterial.

Cash and cash equivalents are also subject to the impairment requirements of IFRS 9. The expected credit loss related to these assets is immaterial.

The following table analyses the ECL recognised on trade receivables and contract assets as at 1 January 2018, by age category.

Independent Trustee Services Limited

Company number: 02567540

Notes to the Financial Statements for the Year Ended 31 December 2018

	Trade receivables	Restated for IFRS 15 contract assets	Total	Expected credit loss rate	IFRS 9 Expected credit loss rate
1 January 2018					
Not overdue	-	-	-	0.00%	-
Past due not more than three months	1,024,569	-	1,024,569	0.72%	7,427
Past due more than 3 months and not more than 6 months	141,594	-	141,594	2.58%	3,649
Past due more than 6 months and not more than 1 year	21,696	-	21,696	4.29%	931
Past due more than one year	-	-	-	0.00%	-
	<u>1,187,859</u>	<u>-</u>	<u>1,187,859</u>		<u>12,007</u>

The loss allowances for trade receivables and contract assets as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 as follows:

	Trade receivables	Contract assets	Total
Loss allowance at 31 December 2017 (IAS 39)			
Amounts restated through opening retained earnings	12,007	-	12,007
Loss allowance at 1 January 2018 (IFRS 9)	<u>12,007</u>	<u>-</u>	<u>12,007</u>