THOMAS
MILLER

Annual report and accounts 2019

Contents

Financial calendar	
Annual General Meeting	June 2020
Final 2019 dividend payable	June 2020
Interim results for 2020	October 2020
Interim 2020 dividends payable	October 2020 and March 2021
Final results for 2020 announced	TBC

Cover image – Akashi-Kaikyo Bridge, Japan

Who we are

At Thomas Miller, we lead the way in defining excellence across insurance, professional and investment services.

The Thomas Miller Group is an international provider of market leading insurance services. Most of the businesses we own or manage are acknowledged leaders in their chosen markets.

Thomas Miller's origins are in the provision of management services to mutual organisations. Particularly in the international transport and professional indemnity sectors, where today we manage a large percentage of the foremost insurance mutuals.

Increasingly we apply our knowledge and expertise to the development of specialist insurance services businesses.

Principal activities include:

- Management services for transport and professional indemnity insurance mutuals
- Managing general agency
- Professional services including technical services, legal services, captive and claims management
- Investment management for institutions

18
businesses

18
locations

800
people

>$1billion
of gross written premium

One global guarantee. Wherever you are in the world, we will be there to ensure your best interests are secured.

Officers and Professional Advisers

Thomas Miller Holdings Ltd. is a company incorporated in Bermuda, registration number EC26282.

Directors

H J Wynn-Williams	Chairman
B M Kesterton	Chief Executive
R T Cowdell	Non-executive, Independent Director
C E Fenton	
J M Goldthorpe	
A E Grant	Non-executive, Independent Director
S P Trickett	Non-executive, Senior Independent Director
P A Wogan	Non-executive, Representative Director
A J Taylor	Appointed 20 February 2020

Company Secretary

K P Halpenny

Statutory Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Legal Advisors

Appleby
Canon's Court
22 Victoria Street
PO Box HM 1179
Hamilton HMEX
Bermuda

Registered Office

Victoria Place, 5th Floor
31 Victoria Street
Hamilton
HM10
Bermuda

Revenue

£149.6m

↑ 3.4%

Focus on the numbers

Financial Highlights for the year ended 31 December 2019

	2019	2018
Revenue (including discontinued operations)	**£149.62 million**	**£144.65 million**
Profit on ordinary activities before taxation (including discontinued operations)	£25.58 million	£18.89 million
Tax on profit on ordinary activities before taxation	£2.63 million	£3.47 million
Profit on ordinary activities after taxation	£22.95 million	£15.42 million
Basic earnings per ordinary share	**210.9p**	**143.5p**
Special dividend paid	**31.0p**	**–**
First interim dividend paid	12.5p	12.0p
Second interim dividend payable	12.5p	12.0p
Final dividend payable	22.0p	20.0p
Total	**47.0p**	**44.0p**
Share price at 31 December	£11.80	£10.20

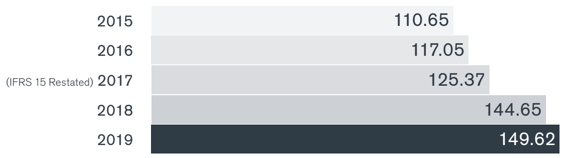
In December 2019, the directors approved a second interim dividend of 12.5p per share (2018 – 12.0p) to be paid to shareholders in the register as at 31 January 2020. The directors propose that a final dividend of 22.0p per share (2018 – 20.0p) will be paid to shareholders in the register on 31 May 2020. The total estimated dividend to be paid is £2.42 million (2018 – £2.15 million). This dividend, together with the second interim dividend, has not been included as a liability in these financial statements.

Highlights in detail

Financial Highlights for the year ended 31 December 2019

Thomas Miller manages over $1,000 million of gross written premium for the Transport, Specialty, and Professional Services industries in the mutual, MGA and captive markets.

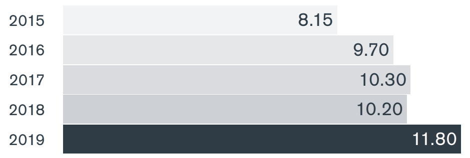
Revenue / £ Million



£149.62m

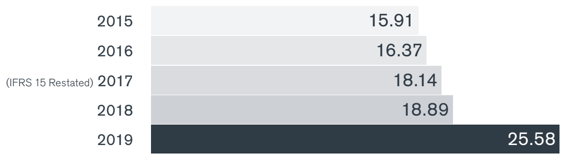
(Includes discontinued operations)

Share price / £



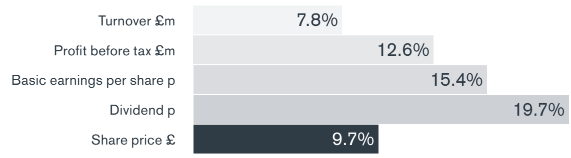
£11.80

Profit before tax / £ Million



£25.58m

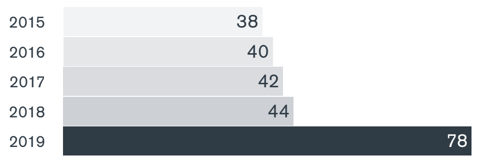
Compound average growth rate 2015-2019



9.7%

Share price

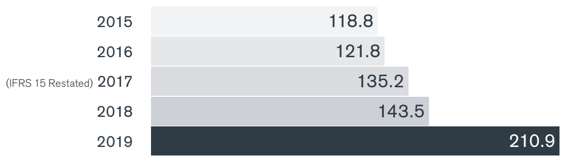
Dividend / p



78p

Including a special dividend of 31p declared at the 2019 AGM

Basic earnings per share / p



210.9p

Increase in revenue 2018-2019

3.4%

Increase in basic earnings per share from 2018-2019

47.0%

At a glance

Thomas Miller is a group of specialist international insurance, professional services and investment businesses.

Managed Businesses

UKP&I

ukpandi.com
One of the world's leading mutual insurer of third party liabilities for ocean-going merchant ships.

UK DEFENCE CLUB

ukdefence.com
The leading provider of freight, demurrage and defence (legal costs) insurance to the maritime industry.

TT CLUB

ttclub.com
The leading provider of insurance and risk management services to the transport and logistics industry.

UK WAR RISKS

ukwarrisks.com
The largest British war risks club, insuring a UK and international membership.

HELLENIC WAR RISKS

hellenicwarrisks.com
The war risks insurer for over 70% of all Greek-owned ships.

ITIC SPECIALIST PROFESSIONAL INDEMNITY INSURANCE

itic-insure.com
The world's leading professional indemnity insurer of service providers in the transport and energy industries.

BAR MUTUAL

barmutual.co.uk
Provides professional indemnity insurance to all self-employed barristers in England & Wales.

PAMIA™

pamia.co.uk
Provides professional indemnity insurance to over 95% of UK and Irish patent and trade mark attorneys in private practice.

Specialty

THOMAS MILLER SPECIALTY

thomasmillerspecialty.com
Provides leading global insurance and related risk management services across a number of sectors including marine, offshore and general aviation.

BLP INSURANCE

blpinsurance.com
Specialists in construction defects insurance covering commercial, residential and mixed-use developments in the UK and internationally.

THOMAS MILLER LEGAL

thomasmillerlegal.com
Provides due diligence and claims management services to commercial After the Event insurers and litigation funders.

THOMAS MILLER CAPTIVE MANAGEMENT

thomasmiller.com
A leading independent provider of captive insurance management services.

OPDU

opdu.com
Market leading insurance, claims and risk management services for trustees and sponsoring employers of pension schemes with scheme assets in trust of approximately £116 billion.

The Judge

thejudgeglobal.com
TheJudge is the leading specialist broker of After-the-Event litigation insurance with access to competitive litigation funding products for law firms and their clients.

Professional Services

Brookes Bell

brookesbell.com
International marine technical, scientific and surveying consultancy to the marine and energy sectors, providing multi-disciplinary services, including expert witness and litigation support.

THOMAS MILLER LAW

tmlawltd.com
A fresh alternative to large, traditional firms in the marine legal sector, offering the full range of English marine law services.

THOMAS MILLER CLAIMS MANAGEMENT

thomasmillerclaims.com
Professional claims handling of uninsured or below-deductible claims through to complete claims outsourcing.

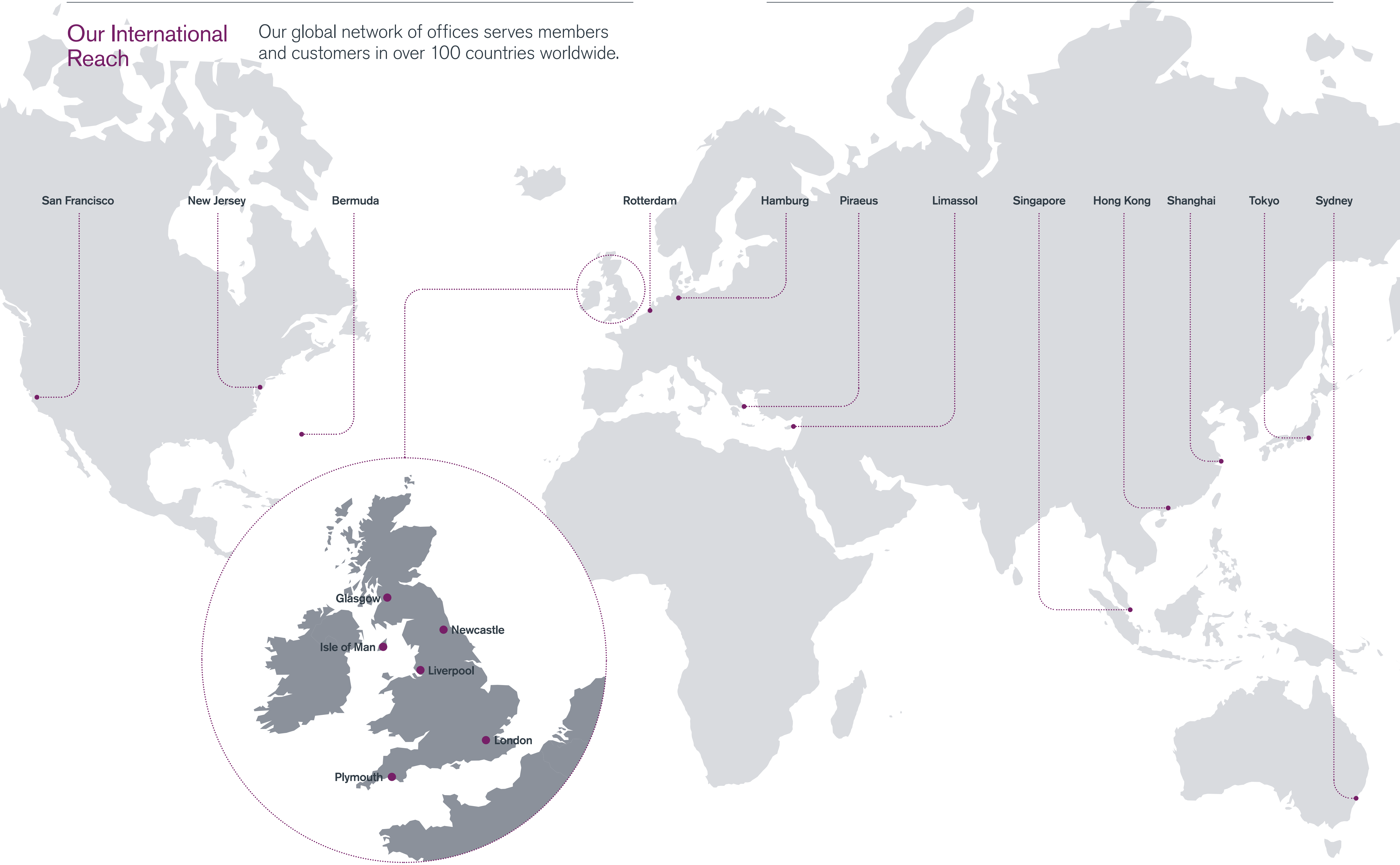
Investment

THOMAS MILLER INVESTMENT

tminvestment.com
Thomas Miller Investment is a leading investment manager for institutional clients.

Our International Reach

Our global network of offices serves members and customers in over 100 countries worldwide.



Chairman's Statement

Looking back over the past year and writing this statement at home while 'social distancing' like all Thomas Miller employees around the world, it is very difficult to find the right words and tone to capture the enormity of the challenges created by the Coronavirus, COVID-19. Last year we spent a considerable amount of time and money preparing for Brexit and ensuring all our client businesses would be able to trade in Europe. We thought at the time this was to be our biggest challenge in the coming years. Little did we know.

we have a strong balance sheet and our cash reserves provide significant liquidity to manage near-term challenges. Significantly, our business model means that we are a cash generating business and this provides us with ongoing flexibility.

A Record Year

Last year seems a lifetime ago, but it was a record year for Thomas Miller. By the end of our 2019 Financial Year, the Group had exceeded all its Corporate Plan targets and delivered strong financial results. Our profit before tax (after including discontinued operations) increased year-on-year by more than 35% to £25.58 million (2018 – £18.89 million), driving a growth in earnings per share to 210.4p (2018 – 143.5p). The strength of the business heading into the current year is demonstrated by the growth of our net assets by £8.6 million to £48.3 million (2018 – £39.7 million). This exceptional result was driven by a number of factors; the sale of Thomas Miller Wealth Management to Canaccord Genuity in May; strong performance from the traditional Mutual Clubs, notably TT; improved results from BLP and Specialty and a solid performance from Brookes Bell.

The results also reflect the impact of changes to accounting requirements. Bruce expands on these in more detail in his Chief Executive's Review, but in brief, the main effects were twofold. IFRS16 reporting requirements on leases mean we must now recognise assets and liabilities on all long-term leases, and our accounting for TheJudge acquisition has also been subject to a remeasurement gain which has had a positive impact of £3 million on the year's results.

Delivering on our Corporate Plan

Much of what was achieved last year was due in large part to delivering against our Corporate Plan. We completed our acquisition of the remaining stake of TheJudge that we did not already own in November. This means we have gone from being a minority, if significant shareholder, to the sole owner. I am pleased to welcome TheJudge as a fully-fledged part of the Thomas Miller Group.

We moved to strengthen the offering that Brookes Bell can provide to clients through the acquisition of the Associated Petroleum Consultants in June 2019. The acquisition brings additional expertise in fuels in particular to Brookes Bell's portfolio of services. We have also decided to invest in a new laboratory facility in Birkenhead close to Brookes Bell's head office in Liverpool. On completion it will mean Brookes Bell has access to a market leading facility in, amongst other things, Metallurgy and Fuels.

Late in the year, we completed the purchase of Lodestar Marine's book of business. This continued the development of our Specialty business as the acquisition represents a strong strategic fit, growing Specialty's scale in a highly competitive marketplace. We have now taken steps to merge all our Marine P&I businesses into one unit and this is already beginning to deliver positive results.

As I mentioned earlier, we also completed the sale of our Private Wealth business by the midpoint of the year. The sale realised over £11 million of profit with adjustments on this figure dependent on future deferred considerations based on the business' performance to the end of June 2021.

Governance

I was delighted to welcome Andrew Taylor, Chief Executive Officer of the UK P&I Club, to the Board of Thomas Miller Holdings ("TMH"). Andrew first joined the Group in 2007 and has served the UK P&I Club as both Chief Financial Officer and Chief Executive Officer

Be the Difference

Our Corporate Plan outlines our aims and objectives for the business but it is our people and their interactions with our customers that ultimately drive performance. It is therefore important that we align our investment in our staff, our commitments to the communities we work in and our approach to the environment with Thomas Miller's values. Thomas Miller's Be the Difference programme is our way of achieving this.

We aim to be the best possible international citizen we can be and to ensure we are having a positive impact on society. We aim to meet this aim by fostering an organisational environment where increasing numbers of our staff are engaged with our Corporate Social Responsibility activities. By providing opportunities for staff to engage with community causes we believe they will be motivated, challenged and able to develop and reach their potential. In turn, we will all be better positioned to support organisational growth and Thomas Miller's vision in a way which is sustainable and responsible.

During 2019, the Thomas Miller Group supported 15 different charities across the countries we work in, all nominated by our staff. We also sponsored a Merchant Navy cadet through the Maritime London Officer Cadetship Scheme.

Brexit and Britain's Future Trading Relationship with the EU

At the end of 2019, the General Election returned a large majority for the Conservatives and allowed Prime Minister Boris Johnson to secure support for his proposed terms to withdraw the UK from the European Union. However, the certainty of departure and the eleven-month transition period has been quickly followed by pressing questions about the nature of the UK's long-term trading relationship with the European Union.

The Thomas Miller Group invested early in ensuring its customers could continue to access the European Union and the Single Market following the UK's formal exit, regardless of the form of the eventual trading agreement. One step we took that should be highlighted was the establishment of a Rotterdam-based subsidiary for the UK P&I Club – UKNV, a vehicle that will be used to front European business for a number of our Mutual Clubs. UKNV secured approval from the Netherlands financial regulator in the first quarter of 2019.

Economic Uncertainty

As 2020 began, the outlook for global economic growth already encapsulated some significant downside risks. Notable amongst these were the continued trade tensions between the United States and China and threatened tariff wars between the US and the European Union. However, these gathering storm clouds were eclipsed in terms of threat by the emergence of the Coronavirus pandemic.

At the time of writing, governments around the world are voluntarily putting major economies into a state of suspended animation. The signals of distress from slumping oil prices, soaring unemployment claims and collapsing demand are clear for us all to see. Markets are in turmoil with most major indices well below their 2019 highs, the VIX index – or the 'fear gauge' – hit previously unseen levels and cash is king once again.

A Stunning Response

Thomas Miller and our Clubs had well-developed business continuity plans in place that we have activated in response to the pandemic, but few would have envisaged when the plans were made that we would find ourselves with almost 800 people around the world – from Shanghai to Newcastle – working from home. The response of all our staff has been magnificent. We are transacting the business of our clients from underwriting risk, paying claims, completing audits and holding Board Meetings using online systems and communicating via tele and video conferencing. Morale has been maintained through a myriad of virtual connections. When once there was the pub after work, there is now a virtual 'House party' to attend.

It is still too early to assess the effect of the pandemic on our business. There will of course be a negative impact but we are a very resilient firm. Our fees from the mutual businesses still represent the lion's share of our income and profit and even though we now have a large element of those fees on an incentive basis, we can still be confident of making a reasonable return in 2020.

Through all of this there is one constant – the dedication and loyalty of the Thomas Miller employees. Every year I express the thanks of the Board to every member of staff for their support and hard work. This year those words of thanks have never been so heartfelt. We can take huge pride from our response to the pandemic and we will emerge a stronger and more united firm as a result of everyone's efforts. Thank you.

My thanks must also go to the Non-Executive Directors. Their counsel and support in these troubled times on top of their 'normal' role has been invaluable.

Strong Foundations for the Future

I began this review by reflecting on how the uncertainty of Brexit timing in 2019 had been supplanted in many ways by the upheaval and human concerns of COVID-19 in 2020. I have full confidence that our business could not be in a better position to weather the current storms and to emerge ready to tackle the challenges of a post-pandemic world.

As I have outlined, we have a strong balance sheet and our cash reserves provide significant liquidity to manage near-term challenges. Significantly, our business model means that we are a cash generating business and this provides us with ongoing flexibility.

Finally, strategic decisions by the Board in recent years have ensured we are a broad-based business with exposure to a diversity of sectors. This enables us to adapt to challenges and opportunities across different parts of the Group and continue to deliver strong returns.

There is significant uncertainty in the world and there will be more during the months ahead but I look forward to Thomas Miller emerging form the crisis in good shape and setting course for an exciting future.

Hugo Wynn-Williams
Chairman
Thomas Miller Holdings
1 June 2020

March 2019 | Rotterdam, Netherlands

UK Club obtains authorisation for Netherlands subsidiary

The new subsidiary UKNV is providing a front for the UK Club, together with other Thomas Miller managed Clubs to ensure they can continue to serve Members after the United Kingdom leaves the European Union. To find out more visit: ukpandi.com

Port of Rotterdam, Netherlands

Chief Executive's Statement and Review of the Year

Our Corporate Plan guides our business decision-making and outlines our ambitions for the future. I am pleased to report the positive progress we are making against the plan as we continue to exceed the expectations we set originally.

2019 was an exceptional year for Thomas Miller in many ways, with its record financial results dominated by several significant one-off events.

These include the sale of our private wealth business in the spring, generating a profit of over £11 million and the move to 100% control of TheJudge at the end of the year (an accounting gain of £3 million). In addition, in late 2019 the Company decided in principle to close its executive Long-Term Incentive Plan ("LTIP") scheme. Each of these is discussed later in this report.

Our 2019 headline result is the Company's highest ever, but its operational profit, as shown in the note at the end of this report, is rather lower than normal. There are two factors that affect the 2019 Operating Profit. First is £2.4 million of one-off costs. Then there is the agreement – against the background on the significant one-off profits referred to earlier - with the TT Club to accelerate certain of that Club's expenses into 2019 which, in practical terms, reduced our profits for 2019 by £4 million, with the benefit that this decision would strengthen future years' profits by the same amount. When the results for 2019 are "normalised" for these one-off items, the underlying profit is similar to last year.

Reviewing the 2019 results, the Company has already paid interim dividends of 25p per share, and a special dividend of 31p per share to reflect the sale of our private wealth business, and the board has declared a final dividend of 22p making 47p in total, plus the special dividend.

The impact of COVID-19 on the current year, however, is likely to produce a less rosy picture. Although the majority of our business is still underpinned by long-term management contracts from clients who are themselves exceptionally well financed, we will almost certainly see a lower result in 2020 from the management of the TT Club, and are likely to report a small loss in respect of Brookes Bell, whose technical experts are unable to travel internationally in the current lockdown.

I do, though, expect 2020 to produce a profit, albeit materially lower than for 2019.

The Company operates a Progressive Dividend policy and, under our current projections for the 2020 year, we hope to be able to maintain this policy. We will, of course, keep this under review as the uncertainty surrounding the impact of COVID-19 is resolved, and particularly as we decide the timing and level of our interim dividends.

Business Performance

Our mutual management core

The mutual Clubs that we manage all performed well during the past year and in consequence the profitability from their Key Performance Indicators driven management fees has been at the higher end of their potential range. I would particularly highlight the Management of the transport mutuals for their contribution to the Group figures.

The transport Clubs have been operating in an environment where their main markets have seen a subdued recovery but have still been performing well. The Clubs overall are contending with a soft underwriting market which creates some headwinds, but attritional claims volumes that have also been low. There is, however, some volatility in the very high value claims experienced by the transport Clubs.

Generally, investment income for a period under review has been at the top end of expectations (unusually, the recent dramatic fall in the equity investment markets occurred the day after 20 February year end of the UK P and I Club, the UK Defence Club and the UK War Risks Club. As I write this report, equity markets worldwide are significantly lower than their previous peaks.

We have negotiated new, long-term, fee arrangements with most Clubs during 2019, and these are contributing to very strong performance by the core mutual engine.

Our result from the management of the TT Club is superficially down on the preceding year, but an analysis of underlying results demonstrates a strong fundamental performance based on continued good underwriting performance and a strong investment return of 5.4%. In the final quarter of 2019, the TT Club invested into major areas that would result in reduced costs in future years. Without these extraordinary and one-off payments, the Club's surplus, and our overall Group result, would have been significantly higher. The benefits of these investments will improve Group profitability in coming years.

The UK Club's profits remain strong even during a harsh underwriting environment, assisted by a significant investment return. Our incentive fee formula contains a significant element based on the Club's Combined Ratio, and therefore that element dropped dramatically compared to 2018 as a result of most Clubs' decision again not to increase the cost of their insurance. This was offset by an excellent discretionary award, reflecting the Board's assessment of our work during the year. Overall, our total profit was a little lower than to the previous year, but still very healthy.

Profits from the management of ITIC were healthy, reflecting a sub 100% combined ratio and continued growth in the Club. I am pleased to report that the PI division continues to produce reliable and steady profits making a valuable contribution to Group performance. The loss of SIMIA and decline of HAMIA have impacted results but we anticipate that these will be offset by other ventures including the expansion of PAMIA into Canada in 2021.

Specialty

Specialty progressed to breakeven, before restructuring costs, in 2019 driven by strong performance from the Offshore division. The restructuring reflected the need to re-shape the business following the acquisition of Hanseatic Underwriters, part of the Zeller Group of businesses and the Navigators and Lodestar books. The Offshore business has grown significantly since the team came on board late in 2016 and the strength of its profits has offset a disappointing result from the marine specialty operations and our withdrawal from the General Aviation market.

BLP continue to make losses in 2019, entirely due to the costs of restructuring its business to ensure it is fit for challenging conditions in the construction market. We have also taken the opportunity to bring BLP's operations together with the rest of Specialty operations, led by Danielle Champion.

I am pleased to highlight the move to full ownership of TheJudge in November 2019. Although we were minority owners for most of the year, and therefore our share of TheJudge's operating contribution in 2019 was relatively modest, accounting standards require us to include of a £3 million remeasurement gain on the purchase which I discuss in more detail below.

Professional Services

Results from Brookes Bell were a little below expectation for the year as business volumes were lower than forecast. Looking ahead to 2020, Brookes Bell is seeing much reduced fee volumes during the COVID-19 lockdown as a result of what is in practical terms a ban on international travel. In the meantime, we are continuing to invest in Brookes Bell, with our planned new laboratory scheduled to open for business in early 2021. We have managed significant structural change for Thomas Miller Claims Management ("TMCM") during the last year, and revenues have continued to grow. The core of TMCM remains in our UK-based claims management operations but we took major steps with other parts of the business. Claims management operations of the Zeller companies became part of the group, whilst we took the difficult decision to close TM Law in Australia. This resulted in a one-off cost of £300,000. We took steps to reduce costs for legal operations in the UK and, taken together, these changes are forecast to bring the claims management group to a breakeven position in 2020.

It is not my normal practice to go into detail about the impact of accounting matters in our year-end results, but this year has been affected by a number of unique and significant events which deserve explanation. These one-off significant events in 2019 were:

- Measurement of the profit and loss for the Group's sale of the Private Wealth business. Computing this requires us to make assumptions on the future performance of the businesses we sold, which brings a level of uncertainty. We have taken a conservative approach in estimating that performance, and this results in a profit on sale of £11.5 million.
- Remeasurement gain and acquisition accounting for the Group's purchase of the remaining share of TheJudge that we did not already own has been challenging due to uncertainty around a valuation for the work-in-progress in the business. We are required to revalue our initial stake in TheJudge based on the value implied by the consideration in the recent transaction. This results in a remeasurement gain of £3 million.
- The impact of IFRS16 reporting requirements for leased assets – IFRS16 converts long-term operating leases, previously purely considered as a Consolidated Income Statement charge, into finance leases therefore bringing assets and liabilities on the Balance Sheet. In the case of the Group's Balance Sheet this has resulted in a reduction in brought forward reserves but there is no change in the cash cost of those leases. The most significant leases that this effects are the property leases particularly that of 90 Fenchurch Street.
- The executive LTIP was a share-based incentive scheme linked to and driven by the successful prosecution of our Corporate Plan over the five and a half years to the end of 2022. It was targeted mostly at the executive members of the Thomas Miller Holdings Ltd. ("TMH") board but includes awards to eight other senior executives. If all of the Key Performance Indicators that drive the plan were achieved, it would result in 726,000 shares being awarded to these senior executives at the end of the five and half year period. For this to happen, we would in effect have needed to achieve or exceed the stretch Corporate Plan targets for that period. Details of the scheme, which is a normal part of executive remuneration in virtually all large and medium-sized companies, and which was reviewed prior to its creation by external remuneration consultants, have been set out in each of the last two years' annual accounts under Note 29, "Share-based payments".
- During 2019 the Remuneration and Nominations ("RNC") concluded that the scheme was no longer an optimal way to incentivise and reward the Company's senior cadre of executives, and looked to a means to close it early. It will be replaced by another, more suitable, scheme, the details of which will be set out in the share-based payments notes to future years' accounts. The RNC's deliberations on how the scheme would be terminated extended into 2020 and so the final estimated costs for the termination of the scheme of £890,000 will be accounted for in that year. This leaves 2019 bearing the normally derived LTIP provision in 2019 of £1.264 million, (compared to £712,000 in 2018 and £131,000 in 2017). The effect of terminating the scheme has been to award 330,000 restricted shares to the executives concerned, in the main to the executive directors of TMH plus eight others. The shares awarded cannot be sold for three years and are subject to "Bad Leaver" provisions similar to our Long-Term Share Acquisition Plan ("LTSAP") scheme.

Chief Executive's Statement and Review of the Year (continued)

Corporate Plan

Our Corporate Plan guides our business decision-making and outlines our ambitions for the future. I am pleased to report the positive progress we are making against the plan as we continue to exceed the expectations we set originally. We maintain a flexible approach that allows us to seize opportunities to build value when they present themselves. We successfully delivered the transactions in Specialty for Hanseatic, Navigators and Offshore before we recently added Lodestar to the Group. Turning to Insurance Services, our deal for Brookes Bell is completed and we have acquired Associated Petroleum Consultants to broaden the services we can offer to customers. The Group continues to be open to further transactions where they make business sense. The focus on operations as part of our Corporate Plan saw TT Club embark on a full-scale replacement of policy administration and other systems in its new legacy modernisation project. Started towards the end of 2019, this project is expected to run over a number of years.

Pension Schemes

The Thomas Miller Group Pensions position improved during 2019 and we amended our approach to risk management associated with the scheme, aiming to reduce volatility in the scheme's assets. At year-end, the UK Defined Benefit scheme was in surplus by £7.8 million. The reduction in discount rate was more than compensated by positive investment returns and the usual contributions to the scheme of £5.2 million.

As ever, the Scheme's actuaries view the Scheme in the context of Government Bond yields, not the Corporate Bond yields used by the accounting profession. Their calculation is that the scheme has a deficit of £10 million rather than the surplus of £7.8 million reflected in our accounts. The scheme aims to eradicate the deficit by the end of 2023 and we make annual contributions each March to achieve this.

Since the close of 2019, the pensions position has been impacted by the significant market movements driven by the global COVID-19 pandemic. Broadly, the deficit has increased by £9 million.

Sadly, but inevitably, the pandemic is also likely to impact the calculation of mortality assumptions used for the pension calculations. The normal triennial valuation of the pension scheme is due during 2020 and we will need to wait for these results when reported to us. Although the scheme has been knocked back by COVID-19 it still remains in a strong position due to the risk management performed over recent years.

Financial strength

This theme of strong performance and judicious planning to provide solid foundations to support the Group through the challenges ahead is also reflected in our Balance Sheet. As Hugo has highlighted, the Group has significant cash reserves to draw on and as a cash-generating business we are able to react flexibly to market conditions; we also have a significant credit line with our principal bankers. We will continue to follow our Corporate Plan in the coming year and hope to see further opportunities for additional acquisitions.

Building on our 2019 position, I am sure that, while we face challenges from the unprecedented global turmoil of 2020, the Group has the strength and agility to continue to thrive. We can do so thanks to decisive and considered actions taken in recent years and thanks to the contributions of our employees across all the businesses in the Group

The adjusted operating profit table opposite shows a decline in profits from 2018 after stripping out the remeasurement gain on TheJudge and the profit on the sale of the private wealth business. The underlying performance of the business is better than this table might suggest. As mentioned above the TT's decision to effectively pay in advance costs that would have been borne in 2020–2023 reduced profits in 2019 by £4 million. Furthermore, we recognised that the much higher group profits generated in 2019 would give an opportunity to increase bonus pay where appropriate. There were other one off costs relating to acquisitions, professional fees and restructuring amounting to £2.4 million. When combined with the lost contribution from the Private Wealth businesses sold this amounts to an underlying performance that is just slightly lower than 2018. Taking the opportunity to restructure some of the business operations in 2019 is already seeing benefits in the 2020 cost base and business performance.

Bruce Kesterton
Chief Executive Officer
1 June 2020

Review of the Year

Adjusted Operating Profit

Adjusted operating profit	2019 £'000	2018 £'000
Transport division	13,745	15,119
Professional indemnity division	686	745
Investments division	(485)	928
Specialty division	(1,448)	(392)
Professional Services division	460	236
Investing and other	(6,108)	(2,366)
Total	**6,850**	**14,270**
Revaluation gain (note 9)	3,267	–
Profit on sale of discontinued operations (note 19)	11,511	–
Total	**21,628**	**14,270**
Adjustments		
Long-Term Share Acquisition Plan ("LTSAP") cost based on financial performance (see note 29 for description of "LTSAP")	(2,795)	(2,662)
Adjustment for defined benefit schemes' contributions and other pension costs included within management fee charges	6,624	6,129
International Accounting Standard ("IAS") 19 net finance costs including any gains on curtailment and liability management exercise (note 32)	126	1,152
Total adjustments	3,955	4,619
Profit on ordinary activities before taxation, including discontinued operations	**25,583**	**18,889**

November 2019 | Worldwide

Digital Innovation

In November 2019 three of our Mutuals launched an online hub for Members, customers and network partners – TM CONNECT. This was an exciting development for the Clubs who share some common Members. The system has been designed to allow single sign on for Members and Brokers who have business with one, two or all three Clubs. The new platform was designed to put the customer at the forefront of the Clubs' digital services.

Corporate governance report

Shanghai

Corporate Governance Report

Board composition and balance

The Board comprises the Executive Chairman, three independent non-executive directors, one representative director and four other executive directors and it is responsible for the long-term success of the Company.

The Board is ultimately responsible for the Company's strategic aims and its long-term prosperity, an objective achieved by ensuring that the right financial resources and people are in place.

The Board carries out its role by:

- monitoring performance against Corporate Plan;
- Ensuring that the risks to the achievement of the objectives set out in the Corporate Plan are identified and appropriately managed.
- Monitoring the Company's operations worldwide;
- providing input into and approval of the Corporate strategy and performance objectives;
- approving budgets and monitoring progress against those budgets;
- reviewing and ratifying the Company's system of governance, internal systems of control and the work of the compliance, risk management and internal audit functions; and
- appointing and removing, where appropriate, the senior executives of the Company.

The Board, through its meetings or those of its various committees, regularly reviews all aspects of the Company, including major commercial decisions, client relationships, operations, financial performance, employee matters, group policies, compliance, risk management and internal audit. This ensures that the Board is able to direct the management of the Company to the best of its ability.

The Board has delegated to the Thomas Miller Executive Committee the responsibility for assisting the Chief Executive in running the business and in overseeing the performance and delivery of the Group with a focus on the implementation of strategy, operational plans, policies, procedures and budgets via;

- managing the Company's day-to-day operations;
- developing the Company's annual budget and recommending it to the Board for approval; and
- managing the day-to-day operations within the budget.

There is a clear division of responsibilities on the Board. The executive directors are responsible for running the Company and the non-executive directors are responsible for exercising independent and objective judgement by constructively challenging proposals and recommendations made to the Board.

Hugo Wynn-Williams, Executive Chairman of Thomas Miller, is responsible for:

- leadership of the Board, ensuring its effectiveness on all aspects of the Board's role;
- setting the Board agenda and ensuring that the directors receive accurate, timely and clear information;
- oversight of the Company's affairs and its strategy;
- facilitating openness and debate between the executive and non-executive directors;
- ensuring effective communication between the Company and its shareholders; and
- succession planning and the composition of the Board.

Bruce Kesterton, as the Chief Executive Officer of Thomas Miller, is responsible for:

- overseeing the performance and delivery of the Group;
- the day-to-day management of the Group;
- development and implementation of Company strategy and the Corporate Plan; and
- specific responsibility for new business initiatives.

Paul Trickett is the Senior Independent Non-Executive Director who acts as a sounding board for the Chairman and an intermediary for the other directors, where necessary. He is also an additional point of contact for shareholders, if they have any reason for concern and where contact through the normal channel of the Chairman has failed to resolve the concern or for which contact is inappropriate.

All directors, whether executive or non-executive, have unrestricted access to the Company Secretary and senior management within the Group on any matter of concern to them, in respect of their duties. In addition, there is an induction programme in place for new Thomas Miller Holdings directors which includes meetings with senior personnel in Thomas Miller and also a comprehensive Directors' Guide which is provided on appointment.

The Group has purchased and maintains throughout the year, directors' and officers' liability insurance. All the non-executive directors, with the exception of the Representative Director, are considered by the Board to be independent of the management and free from any business or other relationship that could materially interfere with the exercise of their judgement.

The Board has maintained procedures whereby potential conflicts of interest are reviewed regularly. The Board has considered the other appointments held by directors, and considers that the Chairman and each of the directors are able to devote sufficient time to fulfil the duties required of them under the terms of their service agreements or letters of appointment. The Board has delegated certain responsibilities to the Audit Committee, Risk Committee and Remuneration and Nominations Committee, which report back to the Board and are further described below. The Thomas Miller Executive Committee is formed of executive directors and executives from the various businesses and from the functions within central services, and this committee meets on a regular basis to consider business and operational matters.

Board performance and evaluation

The performance of individual executive directors is reviewed annually. The Remuneration and Nominations Committee considers the contribution of each of the executive directors. The Board is responsible for the Company's systems of internal control, which consists of internal audit, compliance and risk management teams along with various control systems and procedures in each of the Company's managed or owned businesses. The Board continues to take steps to further embed internal control, compliance and risk management into the operations of the Company and monitor and review matters which come to management's and the Board's attention.

Thomas Miller Executive Committee

The Thomas Miller Executive Committee's main objective is to assist the Chief Executive in running the business via overseeing the performance and delivery of the group's plans with a focus on strategic leadership, management and direction and on ensuring effective prioritisation. The Thomas Miller Executive Committee is chaired by Bruce Kesterton and includes all the executive directors on the Board of Thomas Miller Holdings Ltd along with senior executives from the managers of the main Clubs and businesses within the Group as well as representatives from central services.

Remuneration and Nominations Committee ("RNC")

The Remuneration and Nominations

Set out to the right is a table showing Director attendance at Board and Committee meetings in 2019

	Board	Audit	Risk	Remuneration and Nominations
Hugo Wynn-Williams	10/10	4/4	4/4	4/4
Bruce Kesterton	10/10	4/4	4/4	4/4
Bob Cowdell	10/10	4/4	4/4	4/4
Charles Fenton	8/10	4/4	3/4	n/a
Jonathan Goldthorpe	10/10	4/4	4/4	n/a
Alan Grant	9/10	4/4	4/4	3/4
Paul Trickett	10/10	4/4	3/4	4/4
Paul Wogan	6/10	4/4	4/4	n/a

Corporate Governance Report (continued)

Committee is chaired by Paul Trickett, the Senior Independent Director. The only members of the RNC are the independent non-executive directors of Thomas Miller Holdings Ltd. The RNC has delegated authority from the Board to determine and, as appropriate, make recommendations to the Board about the remuneration policy for executive directors and other senior executives who are members of the Long-Term Share Acquisition Plan ("LTSAP"), including salary, benefits and bonus levels and the design and application of share schemes. In addition, RNC responsibilities include: making recommendations for new appointments to the Board (including non-executive appointments), and ensuring a succession contingency plan is in place for all Thomas Miller Holdings Ltd. directors and LTSAP members.

Audit Committee

The Audit Committee is chaired by Bob Cowdell and all independent non-executive directors of Thomas Miller Holdings Ltd. are members of the Committee. The responsibilities of the Audit Committee include making recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting ("AGM"), in relation to the appointment, reappointment and removal of the Company's external auditor. The Audit Committee oversees the selection process for a new auditor and, if an auditor resigns, the Audit Committee shall investigate the issues leading to this and decide whether any action is required and report the results of their investigation to the Board. The Audit Committee confirms to the Board that appropriate consideration has been given to any failings or weaknesses in the systems of internal control of which it is aware. This includes, where appropriate, overseeing the development of remediation plans and programmes that it considers to be reasonable and proportionate in the circumstances.

The Audit Committee also reviews the Annual Financial Statements and meets with both the external auditors and Head of Internal Audit privately at least once a year. The external auditor's reports to the Audit Committee include its views as to the key risks facing the Group from an external audit perspective, and how its audit approach seeks to address these.

The Audit Committee also receives and considers reports from the external auditor detailing any control deficiencies identified during the course of their work. The Audit Committee monitors the independence of external auditors, establishes a policy for non-audit services to be provided by the auditors and assesses performance of the auditors annually. An Internal Audit function operates within the Group. The team is managed and led by a Group Internal Audit Director who reports functionally to the Audit Committee via the Chairman, and administratively to the Chief Executive Officer. The Audit Committee receives regular reports summarising the results of all audits performed across the Group, together with a schedule of outstanding audit issues. The Audit Committee also receives regular updates on progress against the internal audit plan. The Internal Audit function is responsible for auditing the Group's businesses worldwide.

The annual internal audit plan is approved by the Audit Committee at the beginning of the year and is subject to ongoing review and revision as required, throughout the year. The audit plan is focused around the principal risks facing the Group and each of its businesses. Internal Audit also conducts audits of the businesses managed by Thomas Miller and in respect of these, reports also to the Audit Committees of those businesses. Internal Audit uses a combination of in-house and external, sub-contracted resources, in particular where specialist technical expertise is required to conduct specific audits. Internal Audit's effectiveness is reviewed annually by the Audit Committee. Certain subsidiary companies and businesses operate in overseas markets and are subject to local regulatory requirements. These requirements are taken into consideration when developing the annual audit plan.

Risk Committee

The Risk Committee is chaired by Alan Grant and all directors of Thomas Miller Holdings Ltd. are members of the Committee with the exception of the Non-Executive Representative Director. There is an ongoing process for identifying, evaluating and managing the significant risks the Group and the businesses owned and managed by the Group face. These risks include strategic, operational, legal, regulatory, reputation and financial risks. The Group's risk management processes are designed to manage the risk of the Company failing to achieve its business objectives, and can only provide reasonable, but not absolute, assurance against loss. The Group's risk and compliance obligations are overseen by the Group Risk and Compliance Director.

The regulated entities managed or owned within the Group have risk and compliance resources allocated to each of them. Regulatory and compliance issues are reported to the various Boards or Committees of the businesses within the Group. The Group's risk management systems continue to be developed and enhanced. The controls and processes are overseen by the Group Chief Executive Officer and the Group Risk and Compliance Director in conjunction with the Risk and Audit Committees. The Group's compliance and risk management processes and systems are designed to ensure that management and the Company's various businesses regularly review the risks and controls in their risk registers, and that any outstanding risk mitigation actions are tracked and delivered in a timely manner. Resourcing in both risk management and compliance is reviewed on a regular basis and continues to be enhanced where it is considered appropriate. The Board, through the Risk Committee, receives and reviews the Thomas Miller Holdings Risk Register at each Committee meeting. This sets out the principal risks facing the Company and the risk mitigation actions, controls and processes by which they are managed. Business continuity planning arrangements have been developed and are regularly tested to enable businesses and key offices around the world to have a business continuity capability.

The Group's business continuity planning and crisis response arrangements have been developed over a number of years and are regularly tested. It was as part of these arrangements that the Group's Crisis Management Team ("CMT") was invoked in late January 2020 to manage the safety of our employees and the continuity of our operations in Asia as the COVID-19 pandemic emerged. Since that time the CMT, Chaired by the Group Risk and Compliance Director and comprised of the senior operational, Information Technology and Human Resources leadership team members, has managed all aspects of the Group's response to the pandemic and ensured that its impact on our people and the services we provide to our clients has been mitigated as far as practically possible.

Relationship with shareholders

The Group values dialogue with its shareholders. The Company communicates with shareholders through the annual report, the half year letter to shareholders and the AGM. The AGM is held at 90 Fenchurch St, London and the Notice and any related papers are issued to shareholders at least 21 days before the date of the AGM to ensure that shareholders have sufficient time to consider the items of business. At the AGM separate resolutions are proposed for each item of business and the make-up of the proxy votes cast in respect of each resolution is announced as each resolution is considered. Shareholders can vote by completing and returning a proxy form and voting at the AGM is conducted by way of a show of hands combined with the proxy votes, unless a poll is demanded.

Governance arrangements are constantly monitored and considered by Thomas Miller Holdings Board.

Thomas Miller Holdings Ltd.

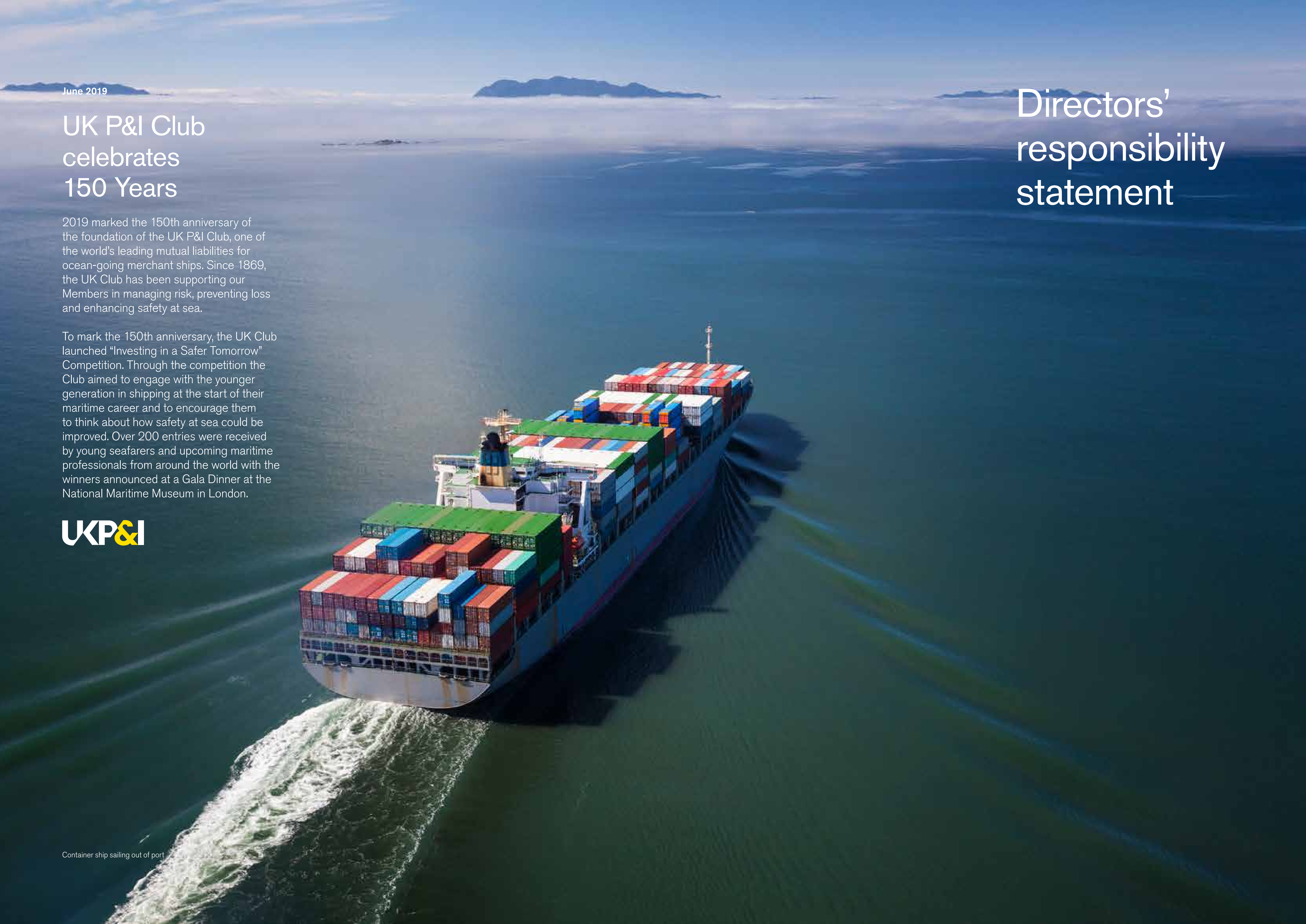
June 2019

UK P&I Club celebrates 150 Years

2019 marked the 150th anniversary of the foundation of the UK P&I Club, one of the world's leading mutual liabilities for ocean-going merchant ships. Since 1869, the UK Club has been supporting our Members in managing risk, preventing loss and enhancing safety at sea.

To mark the 150th anniversary, the UK Club launched "Investing in a Safer Tomorrow" Competition. Through the competition the Club aimed to engage with the younger generation in shipping at the start of their maritime career and to encourage them to think about how safety at sea could be improved. Over 200 entries were received by young seafarers and upcoming maritime professionals from around the world with the winners announced at a Gala Dinner at the National Maritime Museum in London.

UKP&I



Container ship sailing out of port

Directors' responsibility statement

Directors' Responsibilities Statement

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

Thomas Miller Holdings Ltd. is a Company incorporated in Bermuda, registration number EC26282.

The Company is also registered as an overseas company in the United Kingdom, registration number FC021864.

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

Bermudian regulations permit financial statements to be prepared under any recognised accounting standards. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The Company financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. 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 judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed; 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 as applicable to overseas companies. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the persons who is a director at the date of approval of this report confirms that:

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

By order of the board

K P Halpenny
Company Secretary
1 June 2020

Independent Auditor's Report to the Members of Thomas Miller Holdings Ltd.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent Company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent Company financial statements 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
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Thomas Miller Holdings Ltd. (the 'parent Company') and its subsidiaries (the 'Group') which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent Company balance sheets;
- the consolidated and parent Company statements of changes in equity;
- the consolidated cash flow; and
- the related notes 1 to 38.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements 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 group and the parent 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 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 group's or the parent 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.

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

Independent Auditor's Report to the Members of Thomas Miller Holdings Ltd. (continued)

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 group's and the parent 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 group or the parent 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 Financial Reporting Council'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 Chairman's statement, Chief Executive's statement, corporate governance report and financial highlights for the financial year for which the financial statements are prepared is consistent with the financial statements;

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

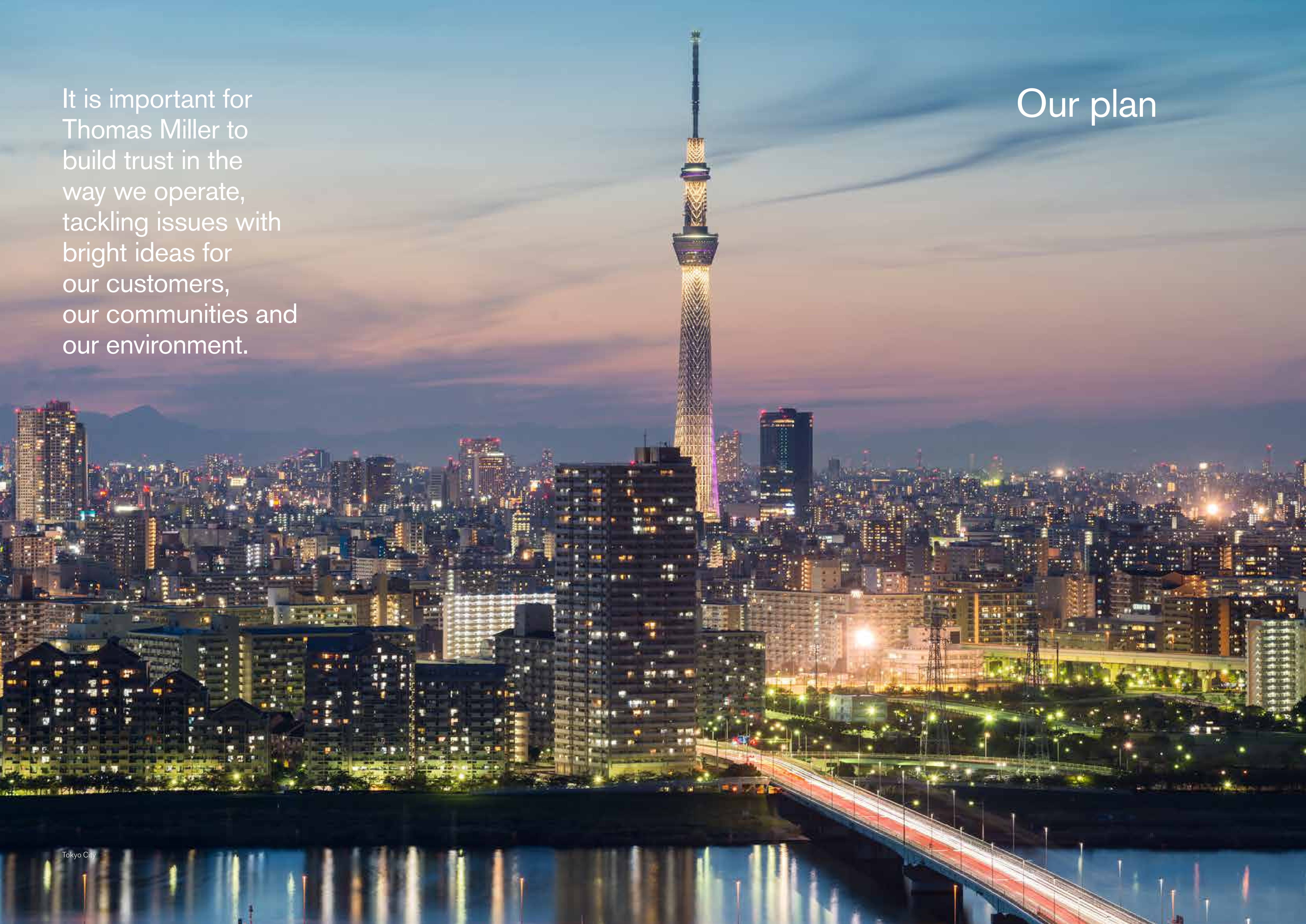
Use of our report

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.

Deloitte LLP
Statutory Auditor
London, UK
1 June 2020

Our plan

It is important for Thomas Miller to build trust in the way we operate, tackling issues with bright ideas for our customers, our communities and our environment.



Tokyo City

Vision

To be recognised internationally as a market leading insurance services Group.

Mission

We will build on our progress over the last five years and our strong market position in transport insurance, to grow Thomas Miller. We will do this with a greater Risk Appetite and higher levels of investment in our Specialty and Professional Services businesses.

Values

Service excellence
Supportive
Inventive
Integrity

Objectives

1

To increase the size of our business, in line with our Corporate Strategy, as measured by Profit Before Tax and Earnings per Share

2

To remain soundly financed while maintaining our Progressive Dividend Policy and a balanced Internal Share Market

3

To be an employer of choice with well motivated and rewarded employees

4

To maintain our Thomas Miller ethos

All underpinned by:

1

People
The real difference

Our people strategy will evolve to ensure that we:

- Manage, develop and communicate well to our people so that they can perform to the best of their ability
- Identify and invest in people who are critical to our future success
- Recognise exceptional performance and reward accordingly, and
- Retain and recruit high quality individuals who provide the skills we and our clients need

2

Culture
An environment consistent with our ambition

We will develop our culture so that we:

- Create and maintain an environment which motivates, develops and challenges our people
- Ensure Thomas Miller is an engaging and fulfilling place to work
- Utilise Corporate Social Responsibility to inspire and engage our people, helping to ensure delivery of the Corporate Plan and to position Thomas Miller as a good corporate citizen

3

Organisational effectiveness
Actively support our changing business requirements

We will improve our efficiency and cost-effectiveness by:

- Recognising no one size fits all we will have sufficient flexibility in our organisation to provide each of our businesses with the ability to flourish
- Developing a scalable operating model which has governance and service quality at its core and delivers cost efficiencies through improved working practices and economies of scale
- Resourcing sufficiently to enable us to assess, validate and maximise business opportunities quickly and effectively. Thereby, creating competitive advantage through our ability to execute competently

4

Systems and processes
Continuous improvement

We will utilise technology to help the effective and efficient execution of our Corporate Plan objectives by:

- Developing systems and processes that meet the changing needs of the Group
- Leveraging new technologies and enhancing our digital capability to ensure we are seen externally as up-to-date, customer orientated, high quality and cost efficient

5

Brand
A strong, differentiated and trusted brand

We will increase brand awareness and reputation, whilst positioning Thomas Miller as an international, multi-disciplinary Insurance Services Group.

Our Accounts

September 2019

Brookes Bell acquires specialist petroleum consultancy Associated Petroleum Consultants Ltd

APC is an association of consultants to the oil and shipping industry, with over 30 years of experience in the investigation of disputes and claims arising from the various technical aspects in the quantity and quality control of bulk liquid oil transport. Thomas Miller are constantly looking to develop and improve the services we offer to our clients. APC's specialist knowledge and expertise in petroleum and related fields are particularly relevant at this time and will significantly enhance our service proposition to clients in this area.

November 2019

Thomas Miller acquires TheJudge

TheJudge was established in 2000 with offices in the UK, USA and Canada. It is a specialist broker of After-the-Event litigation insurance (also known as ATE insurance) to a wide selection of insurers, including a small number of insurances to our in-house ATE Managing General Agency Thomas Miller Professions Limited.

Sydney Harbour

Consolidated Income Statement for the year ended 31 December 2019

Continuing operations	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Revenue	3		147,315		144,648
Administrative expenses			(135,864)		(126,378)
Group operating profit	4		11,451		18,270
Profit on sale of discontinued operations	19		11,511		–
Profit on ordinary activities before interest and taxation			22,962		18,270
Finance income	7	854		726	
Finance costs	8	(1,235)		(448)	
			(381)		278
Amounts written off investments	18		(530)		–
Other gains and losses	9		3,267		–
Share of operating profit of associates	18		213		341
Profit on ordinary activities before taxation			25,531		18,889
Income Tax	10, 11		(2,633)		(3,466)
Profit on ordinary activities after taxation			22,898		15,423
Profit for the year from continuing operations			22,898		15,423
Discontinued operations					
Profit for the year from discontinued operations	13		52		–
Profit for the financial year			22,950		15,423
From continuing operations:					
Basic earnings per ordinary share	15		210.4p		143.5p
Diluted earnings per ordinary share	15		208.3p		141.6p
From continuing and discontinued operations:					
Basic earnings per ordinary share	15		210.9p		–
Diluted earnings per ordinary share	15		208.8p		–

The notes on pages 46 to 94 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Profit for the financial year		22,950	15,423
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of net defined benefit asset / liability	32	(4,213)	(1,932)
Income tax relating to items that will not be reclassified subsequently to profit or loss	11	818	103
		(3,395)	(1,829)
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences on foreign currency net investments		(254)	188
Income tax relating to items that will not be reclassified subsequently to profit or loss	11	(27)	–
		(281)	188
Other comprehensive income for the year net of income tax		(3,676)	(1,641)
Total comprehensive income for the year		19,274	13,782

All amounts derive from continuing operations unless otherwise stated.
The notes on pages 46 to 94 form an integral part of these financial statements.

Consolidated Balance Sheet as at 31 December 2019

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Non-current assets					
Intangible assets	16		19,054		23,078
Property, plant and equipment	17		7,928		4,602
Right of use assets	28		17,856		–
Investments – interests in associates	18		120		809
Investments – other investments	18		403		706
Trade and other receivables	21		3,277		–
Deferred tax assets	21, 22		1,978		1,291
Derivative financial instruments	31		113		–
			50,729		30,486
Retirement benefits and similar assets	33		7,769		5,368
Current assets					
Investments	20	2,478		2,958	
Trade and other receivables	21	66,402		48,240	
Derivative financial instruments	31	143		–	
Cash at bank and in hand	35	72,832		51,332	
		141,855		102,530	
Current liabilities					
Trade and other payables	23	(118,851)		(89,361)	
Current tax liabilities	23	(3,401)		(1,161)	
Derivative financial instruments	23, 31	(96)		(268)	
Lease liabilities	28	(5,202)		–	
		(127,550)		(90,790)	
Net current assets			14,305		11,740
Non-current liabilities					
Trade and other payables	23	–		(267)	
Deferred tax liabilities	22, 23	(766)		–	
Derivative financial instruments	23, 31	–		(135)	
Lease liabilities	28	(17,846)		–	
Provisions for liabilities and charges	24	(1,410)		(2,071)	
Retirement benefits and similar obligations	32	(4,479)		(5,408)	
			(24,501)		(7,881)
Net assets			48,302		39,713
Equity					
Called up share capital	25		1,403		1,403
Share premium account			4,185		4,193
Retained earnings			59,936		52,703
Capital redemption reserve			20		20
Own shares held by Employee Benefit Trusts ("EBTs")	27		(17,242)		(18,606)
Total equity			48,302		39,713

The financial statements of Thomas Miller Holdings Ltd. (registered number FC021864) were approved by the board of directors and authorised for issue on 1 June 2020 and signed on its behalf by:

H J Wynn-Williams — Director

B M Kesterton — Director

The notes on pages 46 to 94 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2019

Equity attributable to equity holders of the Company

Group	Share capital £'000	Share premium account £'000	Retained earnings £'000	Capital redemption reserve £'000	Own shares held by EBTs £'000	2019 Total equity £'000	2018 Total equity £'000
Opening shareholders' funds / (deficits)	1,403	4,193	52,703	20	(18,606)	39,713	27,809
Changes on transition to IFRS 15	–	–	–	–	–	–	3,926
Effect of change in accounting policy for initial application of IFRS 16 (note 1.1)	–	–	(5,833)	–	–	(5,833)	–
Deferred tax asset arising on transition to IFRS 16	–	–	961	–	–	961	–
Opening shareholders' funds / (deficits) as restated	1,403	4,193	47,831	20	(18,606)	34,841	31,735
Profit for the financial year	–	–	22,950	–	–	22,950	15,423
Non-controlling interests	–	–	–	–	–	–	(519)
Dividends paid	–	–	(8,313)	–	–	(8,313)	(4,573)
Currency translation differences on foreign currency net investments	–	–	(254)	–	–	(254)	188
Deferred tax debit attributable to currency differences on foreign currency net investments	–	–	(27)	–	–	(27)	–
Acquisition of non-controlling interests	–	–	(2)	–	–	(2)	(2,343)
Purchase of own shares	–	(8)	–	–	–	(8)	(50)
Equity settled share based payments	–	–	1,298	–	–	1,298	1,021
Current tax on share based payment transactions	–	–	25	–	–	25	123
Deferred tax on share based payment transactions	–	–	16	–	–	16	4
Acquisition of own shares by EBTs	–	–	–	–	(4,194)	(4,194)	(4,118)
Value of shares awarded to employees	–	–	–	–	2,523	2,523	2,259
Net loss on shares awarded to employees	–	–	(193)	–	193	–	–
Proceeds on disposal of EBT shares	–	–	–	–	2,842	2,842	2,392
Actuarial loss relating to the pension deficit net of current and deferred tax	–	–	(3,395)	–	–	(3,395)	(1,829)
Net (reduction) / addition to shareholders' funds	–	(8)	12,105	–	1,364	13,461	7,978
Closing shareholders' funds / (deficits)	1,403	4,185	59,936	20	(17,242)	48,302	39,713

Company	Share capital £'000	Share premium account £'000	Retained earnings £'000	Capital redemption reserve £'000	2019 Total £'000	2018 Total £'000
Opening shareholders' funds	1,403	4,193	20,976	20	26,592	25,942
Profit for the financial year	–	–	11,246	–	11,246	4,252
Dividends paid	–	–	(8,272)	–	(8,272)	(4,573)
Purchase of own shares	–	(8)	–	–	(8)	(50)
Equity settled share based payments	–	–	1,298	–	1,298	1,021
Net (reduction) / addition to shareholders' funds	–	(8)	4,272	–	4,264	650
Closing shareholders' funds	1,403	4,185	25,248	20	30,856	26,592

The share premium account and capital redemption reserve are distributable reserves as stated in the Bermudian Companies Act 1981.

Included in the Company retained earnings is an unrealised gain of £1.23 million. In 2004, following an internal reorganisation, the Company purchased various subsidiary undertakings from Thomas Miller & Co. Limited ("TMC"). A gain on disposal of £3.2 million arose in the books of TMC. TMC subsequently paid some of that gain as a dividend to the Company. The reserves of the Company include an amount of £547,000 which is therefore undistributable. In 2010, the Company sold Thomas Miller Investment Ltd to Thomas Miller Investment Holdings Ltd. The gain on disposal of this transaction was £680,000 and is also undistributable.

The notes on pages 46 to 94 form an integral part of these financial statements.

Company Balance Sheet as at 31 December 2019

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Non-current assets					
Investments – subsidiary undertakings	18		51,580		35,795
Investments – interests in associates	18		–		443
Investments – other investments	18		125		428
Trade and other receivables	21		8,293		12,351
Deferred tax assets			10		–
			60,008		49,017
Current assets					
Investments	20	2		2	
Trade and other receivables	21	18,948		8,072	
Cash and cash equivalents		4,035		189	
		22,985		8,263	
Current liabilities					
Trade and other payables	23	(51,975)		(30,363)	
Current tax liabilities	23	(162)		(325)	
		(52,137)		(30,688)	
Net current liabilities			(29,152)		(22,425)
Net assets			30,856		26,592
Capital and reserves					
Called up share capital	25		1,403		1,403
Share premium account			4,185		4,193
Retained earnings			25,248		20,976
Capital redemption reserve			20		20
Shareholders' funds			30,856		26,592

These financial statements for Thomas Miller Holdings Ltd. (registered number FC021864) were approved by the board of directors and authorised for issue on 1 June 2020 and signed on its behalf by:

H J Wynn-Williams Director

B M Kesterton Director

The notes on pages 46 to 94 form an integral part of these financial statements.

Consolidated Cash Flow Statement for the year ended 31 December 2019

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Net cash from operating activities	35		34,163		13,173
Investing activities					
Interest and other similar income received		501		771	
Dividends from associates		–		18	
Sale of associates / other investments		673		–	
Sale of subsidiary undertaking (net of cash sold)		13,214		–	
Payments for acquisition of subsidiaries (net of cash acquired)		(7,235)		(9,969)	
Loans repaid		(289)		–	
Decrease in current asset investments		481		1,770	
Payments to acquire tangible fixed assets		(4,919)		(4,580)	
Payments to acquire intangible fixed assets		(600)		(762)	
Proceeds from sales of fixed assets		135		1,804	
Net cash provided / (used) by investing activities			1,961		(10,948)
Financing activities					
Equity dividends paid		(8,301)		(4,573)	
Capital element of finance lease payments (net of new leases)		(4,871)		198	
Acquisition of own shares by the EBT		(2,065)		(3,542)	
Proceeds from exercise of options		713		1,817	
Dividends paid to non-controlling interests in subsidiaries		–		(422)	
Own shares purchased		(8)		(51)	
Net cash used in financing activities			(14,532)		(6,573)
Net increase / (decrease) in cash and cash equivalents			21,592		(4,348)
Cash and cash equivalents at beginning of year			51,332		55,187
Effect of foreign exchange rate changes			(92)		493
Cash and cash equivalents at the end of the year			72,832		51,332

The Company as a "qualifying entity" is exempt from producing a cash flow statement in accordance with FRS 102.1.12(b).

The notes on pages 46 to 94 form an integral part of these financial statements.

Notes to the Accounts for the year ended 31 December 2019

1. Accounting policies

General information

The Company is incorporated in Bermuda and registered as an overseas Company in the United Kingdom. The address of the registered office is given on the back cover of this annual report. The principal activities of the Company and its subsidiaries (the group) and the nature of the group's operations are set out in note 18. These financial statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the policies set out in note 1.3.

1.1 Basis of preparation

The financial statements have been prepared in accordance with United Kingdom company law as applicable to overseas companies, as laid out in part 34 of the Companies Act 2006 and Statutory Instrument 2009 No. 1901 Companies – 'The Overseas Companies Regulations 2009'.

The consolidated financial statements of Thomas Miller Holdings Ltd. have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The Company financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and certain financial assets that have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of financial statements in conformity with IFRS requires the use of certain material accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2. The particular accounting policies adopted by the directors are described below.

Standards, amendments and interpretations effective and adopted by the group:

New standards and interpretations adopted:

Impact of initial application of IFRS 16 Leases

In the current year, the group has applied IFRS 16 Leases (as issued by the International Accounting Standards Board in January 2016) that is effective for annual periods that begin on or after 1 January 2019 IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 1.12. The impact of the adoption of IFRS 16 on the group's consolidated financial statements is described below.

The group has applied IFRS 16 using the cumulative catch-up approach which:

- requires the group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4 (International Financial Reporting Issues Committee).

a) Impact of the new definition of a lease

The group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease.

b) Impact on lessee accounting

Former operating leases

IFRS 16 changes how the group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the group:

- recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii)
- recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the group has selected not to recognise them under IFRS16. The group has included initial direct costs to the measurement of the right-of-use asset at the date of initial application.

The group has applied a single discount rate available to the modified retrospective approach under IFRS16. Each overseas subsidiaries have a service agreement in place with the group to fund their monthly spending which includes their rental expenses. Therefore it is justifiable for them to use the group's incremental borrowing rate.

c) Financial impact of initial application of IFRS 16

The weighted average lessees' incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 3.30575%.

The table below* shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

The group has recognised £17.9 million of right-of-use assets and £26.3 million of lease liabilities upon transition to IFRS 16. The difference of £5.8 million (before taking into account deferred tax – see Consolidated Statement Of Changes in Equity) is recognised in retained earnings.

The group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case

* **Impact on retained earnings as at 1 January 2019**

	£'000
Operating lease commitments at 31 December 2018	24,479
Short-term leases and leases of low value assets	34
Finance lease liabilities recognised under IAS 17 at 31 December 2018	81
Included in the lease term and not previously included in operating lease commitments	1,705
Lease liabilities recognised at 1 January 2019	26,299

Notes to the Accounts for the year ended 31 December 2019 (continued)

the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate.

The group did not make any such adjustments during the periods presented.

1.2 Going concern
The group is primarily engaged in mutual insurance management, insurance agency and services, and fund management.

The group reported a profit before tax of £25.53 million for 2019 (2018 – £18.89 million) and had net cash inflows from operating activities of £34.16 million (2018 – £13.17 million). The positive cash movement in 2019 was primarily due to sale of the group's Private Wealth operation (yielding net cash (after deducting cost of sales) of £13.2 million, as well as additional management fees from the TT Club of: (i) £7.5 million – which was for onward payment into the Thomas Miller & Co. defined benefit pension scheme in 2020 and (ii) £2.9 million for payment towards investment in IT legacy systems. Note 30 to the financial statements includes the group's objectives, policies and processes for managing: its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The group has positive cash balances and net assets. The group also has long-term relationships with the majority of its significant customers. In addition, the group has a revolving credit facility of £5 million, which provides additional liquidity support as well as short-term funding for capital expenditures as required. The group has an overall surplus on its retirement benefit obligations. An agreement has been made with the trustees of the UK Scheme to eliminate an actuarial deficit by 31 December 2023, and this is funded out of the group's surplus cash resources and also through its fee arrangements with certain clients.

The Thomas Miller group has performed a liquidity stress test for the 20 month period ending December 2021 in light of the COVID-19 pandemic including the cessation of certain business and the loss of a major contract which indicates headroom before any mitigating actions. Thomas Miller have identified mitigating actions which include reducing costs, deferring capital expenditure and suspending dividends. Taking account of these potential mitigating actions, this analysis demonstrates that the group could continue as a going concern for at least the next year given the financial and liquidity strength of the insurance companies managed by Thomas Miller and the notice periods contained in the contracts. Accordingly, Thomas Miller considers the results of this test continue to support the view that the group is able to continue as a going concern for the next twelve months.

As a consequence, the directors believe that the group is well placed to manage its business risks successfully in the current economic environment.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

1.3 Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) and are made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the group are eliminated on consolidation.

Changes in the group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

If the group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified / permitted by the applicable IFRSs).

1.4 Business combinations
Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the group, liabilities incurred by the group to the former owners of the acquiree and the equity interest issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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Notes to the Accounts for the year ended 31 December 2019 (continued)

When the consideration transferred by the group in a business combination includes asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 Financial Instruments, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the group's previously-held interests in the acquired entity is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

1.5 Intangible fixed assets

Goodwill
Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, where possible, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The group's policy for goodwill arising on the acquisition of an associate is described below.

Intangible assets
Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives and these are disclosed in note 16.

1.6 Property, plant and equipment
Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided to write off the cost less estimated residual value of all tangible fixed assets over the estimated useful economic lives of the assets. The rates generally applicable are listed in the table below.*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

1.7 Investments in associates
An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

Under the equity method, an investment in an associate is initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate. When the group's share of losses of an associate exceeds the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate), the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 Impairment of Assets are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the group reduces its ownership interest in an associate but the group continues to use the equity method, the group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the group, profits and losses resulting from the transactions with the associate are recognised in the group's consolidated financial statements only to the extent of interests in the associate that are not related to the group.

1.8 Financial instruments
Financial assets and financial liabilities are recognised in the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

* Freehold property	1% per annum
Leasehold improvements	Straight-line over period to next lease break clause
Motor vehicles	Straight-line over 3 years
Office machinery, fixtures and fittings	Straight-line over 3 to 17 years
Leased equipment	By equal instalments over period of lease or useful economic life if shorter

Accounts

Notes to the Accounts for the year ended 31 December 2019 (continued)

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at Fair Value Through Profit or Loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets at FVTPL
Financial assets classified FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

Trade receivables
Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents
In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Financial liabilities
Financial liabilities classified at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

Interest bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Derivative financial instruments
The group enters into foreign exchange forward contracts. Further details of these derivative financial instruments are disclosed in note 31.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. The derivative is presented as a current asset / liability or non-current asset / liability depending on the whether it is expected to be settled within or after 12 months.

1.9 Amounts due to contract holders
Other creditors include amounts which are due to investment contract holders. These represent the balance held of funds on investment contracts received plus interest received, less fees and claims paid, outstanding claims including claims incurred but not reported, profit commission on the investment contracts and unrealised exchange difference relating to the revaluation into Sterling of other non Sterling currency sums, translated at the exchange rate on the balance sheet date.

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

1.11 Foreign currencies
The individual financial statements of each group Company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group Company are expressed in Pounds Sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest become a financial assets), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

1.12 Leases
The group has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable from 1 January 2019

a) The group as a lessee
The group assesses whether a contract is or contains a lease, at inception of the contract. The group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially

Notes to the Accounts for the year ended 31 December 2019 (continued)

measured using the index or rate at the commencement date;

- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy (not part of this appendix).

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss (see note 28).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The group has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components.

b) The group as lessor

Leases for which the group is a lessor are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, if applicable, the group applies IFRS 15 to allocate the consideration under the contract to each component.

Policies applicable prior to 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The group as a lessee

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The group as a lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.13 Income Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will

Notes to the Accounts for the year ended 31 December 2019 (continued)

be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year
Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

1.14 Retirement benefits and similar obligations
Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled. Past service cost is recognised in profit or loss in the period of scheme amendment. Net-interest is calculated by applying a discount rate to the net defined benefit liability or asset. From 31 December 2016, the Company adopted an alternative approach in determining a discount rate that is to be applied when calculating the pension liability, following a review of the evidence and methods used. The discount rate is required to be set based on the market yield available on high quality corporate bond yields (assumed to be AA rated corporate bonds). In determining the yield curve on which the discount rate is derived, the new approach assumes flat forward rates from 30 years onwards, resulting in a higher discount rate and a lower value being placed on the pension liabilities. Defined benefit pension costs are split into three categories:

- current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense or income; and
- remeasurement.

The group presents the first two components of defined benefit costs within cost of sales and administrative expenses (see note 32) in its consolidated income statement. Curtailments gains and losses are accounted for as past-service cost.

Net-interest expense or income is recognised within finance costs (see note 8).

The retirement benefit obligation recognised in the consolidated balance sheet represents the deficit or surplus in the group's defined benefit schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

The group assumed a liability to pay annuities to those former partners of Thos R. Miller & Son (Bermuda) and Thos R. Miller & Son who retired prior to 1989. The schemes' liabilities have been accounted for in accordance with IAS 19 Employee Benefits and are unfunded.

1.15 Dividends payable
Dividends payable to the Company's shareholders are recognised in the group's financial statements in the period in which the dividend is paid.

1.16 Revenue
Revenue, which excludes value added tax, represents the value of insurance commissions, amounts chargeable to clients for professional services, investment management services, advisory services and agency and management fees attributable to the accounting year.

Insurance commissions are recognised on the date the underlying insurance policy is bound. Where there is an expectation of future servicing costs, an element of income relating to the insurance policy is deferred to cover the associated contractual obligation. Services provided to clients, which at the balance sheet date have not been billed to clients, are recognised as revenue. Revenue recognised in this manner is based on an assessment of the fair value of the services provided at the balance sheet date as a proportion of the total value of the engagement. Revenue is only recognised where the Company has a contractual right to receive consideration for the delivery of its performance obligation. Commission income from "After The Event" insurance work and litigation funding is recognised once the relevant case has been successful and the deadline for appeals has passed. If a commission has been received, but an appeal is expected to follow, then a provision against this income will be made.

For each source of revenue, the nature of service, timing of obligations, significant payment terms and refund obligations are:

Club management fees
The group is contracted to provide management services to a number of insurance entities over their financial period. Fees are received to perform these management services, comprised of a fixed fee and an incentive fee, the conditions of which vary between management agreements. The entities are invoiced and fees received on an annual, bi-annual or quarterly basis. The group satisfies its contractual arrangements with the entities as the management services are provided, evenly over the entities' financial period.

Investment management fees
The group has in place, investment management agreements with entities to provide investment management services over a contracted period. Management fees, based on the value of managed investments, are invoiced and fees received on a quarterly basis. The group satisfies its contractual arrangements with the entities as the investment management services are provided, evenly over the contracted period.

Notes to the Accounts for the year ended 31 December 2019 (continued)

Consultancy fees
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate. The group provide consultancy services per terms of engagements and the client is invoiced when the engagement is complete. Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Insurance commissions
The group has in place binding authority agreements with insurers to underwrite insurance policies and perform claims handling services on behalf of the insurer, for which commission is receivable. Commission in respect of underwriting insurance policies is recognised when the insurance policy has been placed. An allowance is made for potential policy cancellations, where policyholders have the right to cancel prior to inception. Commission received in respect of handling claims is recognised over the period the service is expected to be provided.

The group generates a proportion of its (contingent commissions) income through arranging "After The Event" ("ATE") insurance for its customers, primarily through its recently acquired subsidiary TheJudge Limited. Some of this income is paid up front and is non-refundable, so is recognised immediately as revenue. However, the majority of the revenue is contingent upon the successful outcome of litigation cases, some of which take a number of years to conclude. Under IFRS 15 this revenue is referred to as variable consideration. The Company classifies this variable consideration as accrued income, and estimates its fair value using either a) the expected value method – based on probability weighted amounts, or b) the most likely outcome method – where there are few possible outcomes. The most appropriate method is chosen and applied consistently to each specific customer group or book of business.

Other
All other revenue is recognised at an amount that reflects the consideration to which the group is expected to be entitled in exchange for transferring services to its clients. The group recognises revenue as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the services promised.

1.17 Own shares held by Employee Benefit Trusts
Shares held within Employee Benefit Trusts ("EBTs") are dealt with in the balance sheet as a deduction from equity shareholders' funds. Any gains or losses arising on the disposal of shares held within the EBTs are shown as a movement within shareholders' funds.

1.18 Share-based payments
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled sharebased transactions are set out in note 29.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of equity instruments that will eventually vest. At each balance sheet date, the group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Save As You Earn ("SAYE") share options granted to employees are treated as cancelled when employees cease to contribute to the scheme. This results in accelerated recognition of the expenses that would have arisen over the remainder of the original vesting period.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be

estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

1.19 The Thomas Miller Healthcare Trust
The Thomas Miller Healthcare Trust Scheme ("Scheme") was set up on 1 July 2010 to provide certain benefits relating to medical treatment for employees of Thomas Miller & Co. Limited ("TMC") and other persons who are eligible to participate in the Scheme. The benefits payable are the actual cost of the treatment up to the maximum (if any) specified in the trust deeds benefits table applicable at the time treatment was received (subject to any excess or benefit limitation which may be stipulated in the rules). The Scheme will pay benefits only for expenditure that a member has incurred during the scheme year for which contribution from TMC or another applicable employer has been made into the Scheme.

The fund amount cannot in any circumstances be transferred to any person or body who is or has at any time been an employer. The Trust is accounted for in accordance with Urgent Issue Task Force Abstract 32 Employee Benefit Trusts and other intermediate payment arrangements.

2. Critical accounting judgements and key sources of estimation uncertainty
In the application of the group's accounting policies, which are described in note 1, 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.

Critical judgements in applying the group's accounting policies
The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Discount rate used to determine the carrying amount of the group's defined benefit obligation
The group's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. Please refer to the sensitivity analysis in Note 32 for further information.

Fair valuation of acquisitions
In accordance with IFRS 3 Business Combinations, the Group measures the identifiable assets acquired and liabilities assumed in a business combination at fair value. The fair values of assets and liabilities acquired are different in a number of instances from the values shown in the entities' own financial statements. This is due to the application of different accounting policies in these financial statements or the application of fair valuation principles to assets and liabilities recorded by the entities under other bases such as historical cost (for instance due to discounting requirements of acquisition accounting). Fair value adjustments can be based on external appraisals or valuation models, e.g. accrued income recognised for contingent commissions. The difference in values is accounted for as goodwill (note 16).

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed in note 30.

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected

Notes to the Accounts for the year ended 31 December 2019 (continued)

to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Please refer to note 16 for further information.

Judgements in determining the transaction price and the amounts allocated to performance obligations

Refund liability
The refund liability represents the amount of commission received or receivable on insurance policies bound but not incepted, for which the group does not expect to be entitled. Historical data is used across product lines to estimate such returns when the policy is bound based on an expected value methodology and is updated at the end of each reporting period for changes in circumstances. Sensitivity analysis has shown for 2019, that the Refund Liability changes by £132,000 for each percentage point that the "NTU" rate changes.

Contingent commissions
For the recognition of contingent commissions within TheJudge Limited, under the expected value method, the income values vary depending at which stage a case is settled or taken to court – the probabilities of a case settling at different stages is based on historic data and management judgement. The value of cases is also discounted to reflect the likelihood of success – the discount rate ranges from 22% to 60% for the majority of cases, and is based on historic data and management judgement. The final adjustment applied to the accrued income is a discounting to reflect the time value of money, as many cases will not conclude within one year. The discounting reflects historic cash realisation patterns and management judgement. The Company has made estimates and assumptions in calculating the fair value of this accrued income, and management considers these to be supportable, reasonable and robust. However, given the inherent uncertainty of the outcome and timing of conclusion of litigation cases, it is possible that outcomes in the forthcoming financial years could result in a materially different figure to the £13.1 million shown at the balance sheet date.

3. Revenue
Disaggregation of revenue

Revenue by geographical origin is shown below:	2019 £'000	2018 £'000
Bermuda	16,126	16,998
United Kingdom and Europe	124,736	117,478
Americas	917	3,001
Asia Pacific	5,536	6,636
Other	–	535
	147,315	144,648

Revenue by nature of business is shown below:	2019 £'000	2018 £'000
Insurance management fees	104,962	100,195
Investment management fees	3,342	10,250
Consultancy fees	20,542	19,828
Insurance commissions	11,201	8,997
Claims management	3,842	3,918
Rental income	497	455
Other income	2,929	1,005
	147,315	144,648

The group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less. The group applies the practical expedient in paragraph C5(c) of IFRS 15 and does not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the group expects to recognise that amount as revenue for the year ended 31 December 2019.

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:	2019 £'000	2018 £'000
Receivables (which are included in 'Trade and other receivables')		
Contract assets	27,322	18,367
Contract liabilities	(38,232)	(19,220)

Contract assets	2019 £'000	2018 £'000
Contract assets at the beginning of the period	18,367	14,084
Additions	8,955	4,283
Contract assets at the end of the period	27,322	18,367

Contract liabilities	2019 Deferred income £'000	2019 Refund liability £'000	2018 Deferred income £'000	2018 Refund liability £'000
Contract liabilities at the beginning of the period	17,680	1,540	15,674	943
Payments received in advance	19,171	–	2,006	597
Adjustment	–	(159)	–	–
Contract liabilities at the end of the period	36,851	1,381	17,680	1,540

Notes to the Accounts for the year ended 31 December 2019 (continued)

4. Operating profit

This is stated after charging:

	2019 £'000	2018 £'000
Depreciation and amortisation charges:		
– Owned assets	1,119	1,233
– Leased / financed assets	44	66
– Leasehold improvements	336	182
– Intangible assets	528	2
Rentals under operating leases	533	5,318
Loss on disposal of tangible fixed assets	7	5
Exchange losses / (gains)	645	(287)
Exchange (gains) / losses on forward contracts	(135)	549
Acquisition related costs	933	–

Charitable donations paid by the group in 2019 amounted to £132,000 (2018 – £102,000).

The analysis of auditor remuneration is as follows:	2019 £'000	2018 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	103	100
Fees payable to the Company's auditor and their associates for other services to the group:		
– The audit of the Company's subsidiaries pursuant to legislation (including overseas subsidiaries)	272	278
Fees payable to other auditors for the audit of the Company's subsidiaries pursuant to legislation	103	66
Total audit fees	478	444
– Tax services	23	22
– Valuation and actuarial services	15	30
– Other services	89	59
Total non-audit fees	127	111

Fees payable to the Company's auditor and their associates in respect of associated pension schemes:	2019 £'000	2018 £'000
– Audit	10	10

The fees for other services includes costs associated with supporting various corporate transactions.

5. Directors' remuneration

Directors' remuneration for the year was as follows:

(i) Directors' emoluments The emoluments paid to directors by the Company and its subsidiaries were as follows:	2019 £'000	2018 £'000
Salaries, fees and short term employee benefits	2,505	2,872
Post-employment benefits	6	10
Share based payments	667	1,447
	3,178	4,329

(ii) Directors and retirement benefits The number of directors to whom retirement benefits are accruing in respect of qualifying services was:	2019 Number	2018 Number
Defined benefit schemes	3	3
Defined contribution schemes	1	1
Exercised options over shares in the parent company	3	2
Had awards receivable in the form of shares under a long-term incentive scheme	4	4

6. Employee information (including directors)

The average number of persons employed by the group during the year was 808 (2018 – 770). The split between geographical areas was as follows:	2019 Number	2018 Number
United Kingdom and Europe	676	645
Asia	74	67
Americas	42	41
Australasia	15	16
Middle East	1	1
	808	770

The total payroll costs of these persons were as follows:	2019 £'000	2018 £'000
Wages and salaries (including bonuses)	79,529	73,526
Redundancy costs	1,453	262
Social security costs	7,180	7,225
Other pension costs – defined contribution schemes	7,010	7,016
Other pension costs – defined benefit schemes	–	320
	95,172	88,349

This year saw a full provision made for the Long-Term Share Acquisition Plan ("LTSAP"), which was set up to align senior managers' long-term incentive arrangements with the long-term interests of the Company (note 29).

Notes to the Accounts for the year ended 31 December 2019 (continued)

7. Finance income

	2019 £'000	2018 £'000
Interest receivable and similar income	854	726

8. Finance costs

	2019 £'000	2018 £'000
Bank Interest	14	24
Interest on finance leases	834	16
Other interest	513	354
Net finance (income) / costs on retirement benefit schemes (note 32)	(126)	54
	1,235	448

9. Other gains and losses

	2019 £'000	2018 £'000
Net gain arising on financial assets measured at FVPTL	3,267	–

The net gain represents an increase in the fair value of the Company's brought forward equity investment of 23.1% in TheJudge Limited.

10. Income Tax

The tax charge is based on the profit for the year and represents:	2019 £'000	2018 £'000
Current tax on profit on ordinary activities		
UK Corporation tax	4,123	3,088
Foreign tax suffered	540	375
	4,663	3,463
Overseas taxation – adjustments in respect of prior years	(32)	(56)
UK taxation – adjustments in respect of prior years	47	(3)
Total current tax	4,678	3,404
Deferred tax:		
Current year	(2,406)	(34)
Effect of changes in tax rates	264	50
Adjustments in respect of prior years	97	46
Total deferred tax (credit) / charge	(2,045)	62
Tax on profit on ordinary activities	2,633	3,466

The standard rate of tax applied to the reported profit on ordinary activities is 19% (2018 – 19%). The Finance Act 2016 included provisions to reduce the main rate of corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the cut in the rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As this has not been enacted by the balance sheet date, balances as at 31 December 2019 continue to be measured at 17%, the amended tax rate would cause an increase of £76,000 in the net deferred tax asset of the group.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

11. Reconciliation of current year tax charge

The charge for the year can be reconciled to the profit in the income statement as follows:	2019 £'000	2018 £'000
Profit before tax on continuing operations	25,531	18,889
Tax at the standard UK corporation tax rate of 19% (2018 – 19%)	4,851	3,589
Effects of:		
Expenses not deductible for tax purposes	538	487
Income not taxable in determining taxable profits	(889)	165
Impact of changes in tax rates	264	50
Impact of share options	(97)	(239)
Provision against carrying value of investments	–	(7)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(775)	(527)
Impact of profit / (losses) not previously recognised	13	(73)
Profit on disposal of discontinued operations	(1,521)	–
Losses of subsidiaries operating in other jurisdictions not available for tax relief	108	34
Temporary differences arising in Brookes Bell LLP recognised in group parent	29	–
Adjustments in respect of prior years	112	(13)
Tax expense for the year	2,633	3,466

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income:	2019 £'000	2018 £'000
Current tax:		
Items that will not be reclassified subsequently to profit or loss:		
Excess tax deductions related to contributions to defined benefit schemes	(725)	(432)
Deferred tax:		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit liability	(93)	329
	(818)	(103)
Items that may be reclassified subsequently to profit or loss:		
Deferred tax debit attributable to currency differences on foreign currency net investments right of use assets	27	–
Total income tax recognised in other comprehensive income	(791)	(103)

In addition to the amount charged to the income statement and other comprehensive income, the following amounts relating to tax have been recognised directly in equity:	2019 £'000	2018 £'000
Current tax:		
Excess tax deductions related to share-based payments on exercised options	(25)	(123)
Deferred tax:		
Change in estimated excess tax deductions related to share-based payments	(16)	(4)
Total income tax recognised directly in equity	(41)	(127)

12. Profit attributable to the Company

The profit for the financial year dealt with in the financial statements of the parent Company was £11.25 million (2018 – £4.25 million). As permitted by Section 408 of the Companies Act 2006 no separate income statement is presented in respect of the parent Company.

Notes to the Accounts for the year ended 31 December 2019 (continued)

13. Discontinued operations

On 30 April 2019, the group sold it's Private Wealth business which carried out all of the group's wealth management operations. The disposal was effected as part of a strategic review of the group's operations. The disposal was completed on 30 April 2019, on which date control of Thomas Miller Wealth Management passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 19.

The results of Thomas Miller Wealth Management and private wealth operations in the Isle of Man, which have been included in the profit for the year, were as follows:	2019 £'000	2018 £'000
Revenue	2,305	6,594
Expenses	(2,253)	(6,492)
Profit before tax	52	102
Attributable tax charge	–	16
Profit after income tax of discontinued operation	52	118
Gain on sale of Private Wealth business after income tax	11,459	–
Profit from discontinued operation	11,511	118

A profit of £11.5 million arose on the disposal of the group's Private Wealth business, being the difference between the proceeds of disposal and the carrying amount of the Thomas Miller Wealth Management's net assets and attributable goodwill.

The disposal is consistent with the group's long-term policy to focus its activities on the group's other businesses.

14. Dividends

	2019 £'000	2018 £'000
Second interim dividend paid for year ended 31 December 2018 of 12.0p (2017 – 11.5p) per share	1,291	1,222
Special dividend paid for year ended 31 December 2019 of 31.0p (2018 – nil) per share	3,411	–
Final dividend of 20.0p paid for the year ended 31 December 2018 (2017 final – 18.0p) per share	2,199	2,061
First interim dividend paid for the year ended 31 December 2019 of 12.5p (2018 – 12.0p) per share	1,371	1,290
	8,272	4,573

The following dividends were agreed by the directors and have not been included as a liability in these financial statements:	£'000
Second interim dividend for the year ended 31 December 2019 of 12.5p per share – paid in February 2020.	1,363

The proposed final dividend for 2019 of 22.0p per share is estimated to be £2.41 million (2018 – £2.15 million). The proposed final dividend is payable to all shareholders on the Register of Members on 31 May 2020. The total estimated dividend to be paid for the year is 47.0p per share (2018 – 44.0p per share). The payment of this dividend will not have any tax consequences for the group.

The trustees of the employee benefit trusts ("EBTs") waived their rights to dividends payable after 20 January 2005.

15. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares during the year. Shares held by the Employee Benefit Trusts are excluded from the calculation of the weighted average number of shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares. The group had one category of dilutive potential ordinary shares being those share options in issue where the exercise price is less than the average market price of the Company's shares during the year.

	2019 £'000	2018 £'000
Earnings		
Profit for the financial year	22,950	15,423
Basic and diluted earnings attributable to ordinary shareholders	22,950	15,423

	2019 Number '000	2018 Number '000
Number of shares		
Weighted average number of ordinary shares	10,908	10,748
Effect of dilutive share options	108	143
Adjusted weighted average number of ordinary shares	11,016	10,891
From continuing operations:		
Basic earnings per share	210.4p	143.5p
Diluted earnings per share	208.3p	141.6p
From continuing and discontinued operations:		
Basic earnings per ordinary share	210.9p	–
Diluted earnings per ordinary share	208.8p	–

16. Intangible fixed assets

Group	Goodwill £'000	Software and customer lists £'000	Total £'000
Cost			
At 1 January 2019	20,645	4,149	24,794
Exchange adjustments	29	–	29
Additions	4,212	600	4,812
Disposals	(8,638)	–	(8,638)
At 31 December 2019	16,248	4,749	20,997
Accumulated depreciation			
At 1 January 2019	1,714	2	1,716
Provided in the year	–	528	528
Disposals	(301)	–	(301)
At 31 December 2019	1,413	530	1,943
Carrying amount			
At 31 December 2019	14,835	4,219	19,054
At 31 December 2018	18,931	4,147	23,078

16. Intangible fixed assets (continued)

Goodwill acquired in a business combination is allocated, at acquisition, to the Cash Generating Units ("CGUs"), or group of units that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

The amortisation period for software and customers lists is ten years.

Cash generating units:	Description	2019 £'000	2018 £'000
Thomas Miller & Co. Limited, Thomas Miller (Isle of Man) Limited and Thomas Miller Bermuda Ltd	Goodwill arising on acquisition of former partnerships	982	982
Thomas Miller Wealth Management Limited	Goodwill on acquisition of business	–	7,939
Thomas Miller Specialty Holdings Limited	Goodwill on acquisition of business	975	975
Thomas Miller Captive Management Limited (Castletown Insurance Services)	Goodwill on acquisition of business	906	906
Brookes Bell LLP	Goodwill on acquisition of business	4,051	3,531
Thomas Miller Insurance (Germany) Gmbh (Zeller Associates)	Goodwill on acquisition of business	4,574	4,598
TheJudge Group Holdings Ltd	Goodwill on acquisition of business	3,347	–
		14,835	18,931

The group tests goodwill for impairment annually and for new acquisitions in the year of acquisition, or more frequently if there are indications that goodwill might be impaired. The group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the group of CGUs to which goodwill is allocated. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount of CGUs is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related CGUs.

Thomas Miller & Co. Limited, Thomas Miller (Isle of Man) Limited and Thomas Miller Bermuda Ltd
£982,000 of goodwill remains from £3.71 million which arose as a result of a group reorganisation soon after 2000. The group continues to operate with almost all the traditional businesses remaining in place and still produces strong profits. Adjustments processed in respect of the introduction of IFRS reversed any amortisation that took place after 1 January 2014 (IFRS transition date) onwards, leaving balances prior to this date unchanged. At 31 December 2019, impairment has been reconsidered and none was proposed.

Thomas Miller Specialty Holdings Limited, Thomas Miller Captive Management Limited (which acquired the business of Castletown Insurance Services Limited), Brookes Bell LLP, Thomas Miller Insurance (Germany) Gmbh (Zeller Associates) and TheJudge Group Holdings Limited.
The recoverable amounts of cash-generating units i.e. for Thomas Miller Specialty Holdings Limited, Thomas Miller Captive Management Limited, Brookes Bell LLP and Zeller Associates are determined from a "value in use" calculation, where the key assumptions relate to discount rate, revenue growth and cost growth. Management estimates the discount rate using pre-tax rates that reflect current market assessments of the time value of money. The discount rate used in the impairment reviews was 11%.

The revenue and cost growth rates used are based on reasonable management expectations for the 2020 budget and the following five years, with an extrapolation using a 2% steady growth rate.

17. Property, plant and equipment

Group	Freehold buildings £'000	Leasehold improvements £'000	Office machinery, fixtures & fittings Leased/financed £'000	Office machinery, fixtures & fittings Owned £'000	Motor vehicles Owned £'000	Total £'000
Cost						
At 1 January 2019	250	3,352	2,318	16,033	64	22,017
Exchange adjustments	–	(49)	(1)	(42)	(2)	(94)
Additions	–	782	60	4,146	–	4,988
Disposals	–	(318)	–	(1,886)	–	(2,204)
At 31 December 2019	250	3,767	2,377	18,251	62	24,707
Accumulated depreciation						
At 1 January 2019	12	2,012	2,254	13,073	64	17,415
Exchange adjustments	–	(33)	–	(34)	(2)	(69)
Provided in the year	2	336	44	1,119	–	1,501
Disposals	–	(303)	29	(1,794)	–	(2,068)
At 31 December 2019	14	2,012	2,327	12,364	62	16,779
Net book value						
At 31 December 2019	236	1,755	50	5,887	–	7,928
At 31 December 2018	238	1,340	64	2,960	–	4,602

Net obligations under finance leases and hire purchase contracts are secured on the assets acquired.

18. Investments held as fixed assets

Group	Share of net assets £'000
Interests in associates	
At 1 January 2019	809
Disposals	(372)
Dividends received from associates	(22)
Impairment charge	(530)
Share of operating profit of associates for the year	235
At 31 December 2019	120

Group	Other fixed asset investments £'000
Other investments – unlisted	
At 1 January 2019	706
Disposal	(303)
At 31 December 2019	403

Company	Subsidiary undertakings £'000	Associates £'000	Other fixed asset investments £'000	Total £'000
At 1 January 2019	35,795	443	428	36,666
Additions	15,785	–	–	15,785
Disposals	–	(372)	(303)	(675)
Impairment charge	–	(71)	–	(71)
At 31 December 2019	51,580	–	125	51,705

On 17 September 2019, the group acquired 100 per cent of the issued share capital of Associated Petroleum Consultants Limited, a specialist marine technical consultancy business, providing services complementary to the other businesses within the group.

On 14 November 2019, the group acquired the remaining 76.91% of the issued share capital of TheJudge Group Holdings Limited, an insurance broker specialising in after-the-event legal costs insurance ("ATE"), bringing its total shareholding up to 100% of issued share capital. The acquisition will strengthen the group's position in the ATE market in the UK and internationally.

On 10 April 2019, the company sold its investment in Veritas Insurance Company Limited.

Investments in subsidiaries and associates
Details of the investments in which the group or the Company holds more than 10% of the nominal value of any class of share capital are shown below. The various undertakings are primarily engaged in the management of insurance mutuals and other managing general agency activities in the international transport and professional indemnity sectors and 100% of ordinary shares and voting rights are held, unless otherwise stated. Unless indicated to the contrary, all investments are held by the Company and incorporated in the United Kingdom and registered in England and Wales. Dormant Companies have not been included.

Name of Company	Nature of business
Subsidiary undertakings	
Thomas Miller & Co. Limited	General services
Building LifePlans Limited	Construction services
BLP Technical Services (UK) Ltd*	Construction project reviews
Consumer Code for New Homes Limited* (20%)	Non-life insurance
Leeward Management Co Ltd (Bermuda)	Management services
The Occupational Pensions Defence Union Limited	Advisory services
Thomas Miller Professions Ltd	Consultancy services
Thomas Miller Holdings (Bermuda) Ltd (incorporated in Bermuda)	Investment holding
Thomas Miller (Hellas) Ltd* (Bermuda)	Service company
Thomas Miller Investment Holdings Ltd (Bermuda)	Investment holding
Thomas Miller Investment Ltd*	Investment management services
Thomas Miller Investment (Isle of Man) Limited* (Isle of Man)	Investment management services
Thomas Miller Specialty Holdings Limited (formerly Osprey Holdings Limited)	Investment holding
Thomas Miller Specialty Underwriting Agency Limited*	Underwriting agency
Osprey Aerospace Limited*	Underwriting agency
Thomas Miller (Bermuda) Ltd. (incorporated in Bermuda)	Management services
Windsor Insurance Company Limited* (Bermuda)	Captive insurer
Windsor Private Trustee Company Ltd* (Bermuda)	Trust management services
Thomas Miller Investments (Bermuda) Ltd* (Bermuda)	Investment holding
TMB Trustee Company Limited*	Pension scheme trustee
Thomas Miller (Isle of Man) Limited (Isle of Man)	Management services
Thomas Miller Captive Management Limited* (Isle of Man)	Management services
Thomas Miller (Isle of Man) Management Services Limited*	Management services
SIGCo Management Services (IOM) Ltd* (Isle of Man)	Insurance intermediary
Castletown Insurance Services Limited*	Management services
Ilex Global Reinsurance Company Limited*	Reinsurance company
Thomas Miller Claims Management Limited	Management services
Thomas Miller Law Ltd*	Legal services
Thomas Miller Claims Management Pty Ltd* (Australia)	Management services
Thomas Miller Law Pty Ltd* (Australia)	Legal services
Thomas Miller (Australasia) Pty Ltd* (Australia)	Agency services
Thomas Miller KK (Japan)	Management services
Thomas Miller (UK) Holdings Company Ltd	Investment holding
Marine Response Services Ltd*	Agency services
H.A.P.M. Management Company Limited*	Management services
Signum Services Ltd.*	Investigation and security services

Notes to the Accounts for the year ended 31 December 2019 (continued)

18. Investments held as fixed assets (continued)

Name of Company	Nature of business
Subsidiary undertakings	
International Transport Intermediaries Management Company Ltd*	Management services
Thomas Miller P&I (Europe) Ltd*	Agency and management services
Thomas Miller Defence Ltd.*	Agency and management services
Thomas Miller Professional Indemnity (Holdings) Limited*	Investment holding
Thomas Miller Professional Indemnity Limited*	Management services
S.I.M.I.A. Management Company*	Management services
H.A.M.I.A. Management Company*	Management services
Bar Mutual Management Company*	Management services
Thomas Miller War Risks Services Limited*	Consultancy and management services
Through Transport Mutual Services (UK) Limited *	Agency and management services
Entremain Limited	Investment holding
Thomas Miller (Americas) Inc.* (America)	Agency services
Thomas Miller (San Francisco) Inc.* (USA)	Agency services
Thomas Miller (Seattle) Inc.* (USA)	Agency services
Thomas Miller Hong Kong Limited* (Hong Kong)	Agency services
Thomas Miller (South East Asia) Pte Ltd* (Singapore)	Agency services
Brookes Bell LLP	Marine, technical and surveying consultancy
Safety at Sea Limited* (Scotland)	Consultancy on ship matters
Brookes Bell Shanghai Maritime Technology Consulting Co. Ltd* (China)	Marine and engineering consultancy
Brookes Bell Hong Kong Limited* (Hong Kong)	Marine and engineering consultancy
Brookes Bell Pte Limited* (Singapore)	Marine consultancy and loss adjustor services
Brookes Bell Systems Limited*	Business software development and support
Brookes Bell Limited* (Shanghai)	Marine and engineering consultancy
PRISM* (Cyprus) (32.5%)	Commercialise ClearBal
Associated Petroleum Consultants Ltd*	Marine, scientific, technical consultants and surveyors
Thomas Miller Insurance Germany GmbH *(Germany)	Management services
Zeller Associates Management GmbH *(Germany)	Insurance management services
ZASS International GmbH* (Germany)	Insurance recoveries
TCH Run-Off Services GmbH* (Germany)	Maritime insurance run-off services
ACES International GmbH* (Germany)	Transport claims handling and mediation
Zeller Associates Consulting GmbH* (Germany)	Transport insurance consulting
ZARIS Risk Services GmbH* (Germany)	Insurance mediation and consulting
Thomas Miller B.V.* (Netherlands)	Management services
TheJudge Group Holdings Limited	After The Event insurance
TheJudge Limited*	After The Event insurance
TheJudge Canada* (Canada)	After The Event insurance
TheJudge Americas LLC* (America)	After The Event insurance
Associated undertakings and joint ventures	
Through Transport Mutual Services (Gulf) (UAE partnership)* (50%)	Service company
TTMS (Argentina) SA (USA)* (50%)	Service company
ShipServ Inc. (35.99% ordinary shares, 4.25% preferred shares)	Marine e-procurement
Other investments	
TT (Bermuda) Services Limited (incorporated in Bermuda) (10%)	Holding company
SIGCo Management (IOM) Ltd *(Isle of Man) (49%)	Insurance Management Services
Hampden & Co. plc (<1%)	Private investment bank

*Held via an intermediate holding company

19. Disposal of subsidiary

As referred to in note 13, on 30 April 2019, the group disposed of its interest in Thomas Miller Wealth Management Limited (and Thomas Miller Investments (Isle of Man) Limited's Private Wealth business – "Private Wealth business").

The net assets of Thomas Miller Wealth Management Limited at the date of disposal were as follows:	2019 £'000
Purchased goodwill	3,989
Trade and other receivables	1,177
Bank balances and cash	2,749
Deferred tax assets	245
Trade and other payables	(2,710)
Attributable goodwill	3,951
Net assets disposed of	9,401
Total consideration	23,431
Cost of sales	(2,519)
	20,912
Gain on disposal	11,511
Total consideration satisfied by:	
Cash and cash equivalents	18,484
Contingent consideration	4,947
	23,431
Net cash inflow arising on disposal:	
Cash consideration (after deducting cost of sales):	15,964
Less: cash and cash equivalents (in entity) disposed of:	(2,749)
	13,215

There were no disposals of subsidiaries made in 2018.

The deferred consideration will be settled in cash by the purchaser at agreed dates between the end of the financial year and April 2022.

The impact of Thomas Miller Wealth Management Limited (and Thomas Miller Investments (Isle of Man) Limited's Private Wealth business – "Private Wealth business") on the group's results in the current and prior years is disclosed in note 13.

The gain on disposal is included in the profit for the year from discontinued operations (see note 13).

20. Investments held as current assets

Group	Unlisted investments £'000	Listed debt securities £'000	Total £'000
At 1 January 2019	3	2,955	2,958
Net cost of bonds / investments sold	–	(480)	(480)
Foreign exchange revaluation	–	(10)	(10)
Unrealised gains	–	10	10
At 31 December 2019	3	2,475	2,478

Company	Unlisted investments £'000
At 1 January 2019 and 31 December 2019	2

The Company invested in various litigation funding opportunities, whereby it has entered into an agreement with other parties to meet some of the costs of a litigation case in return for a share of the proceeds if the litigation is successful. The value of these investments at 31 December 2019 is £2,000 (2018 – £2,000). The Company is fully insured for the capital invested in each case.

21. Trade and other receivables

Due within one year	Company 2019 £'000	Group 2019 £'000	Company 2018 £'000	Group 2018 £'000
Amounts owed by subsidiary undertakings	18,928	–	7,695	–
Amounts owed by associated undertakings	–	–	–	20
Trade debtors	–	25,267	–	21,634
Other debtors	20	9,138	–	4,090
Prepayments	–	4,049	377	3,999
Accrued income	–	27,329	–	18,391
Corporation tax debtor	–	619	–	106
	18,948	66,402	8,072	48,240

Due after one year	Company 2019 £'000	Group 2019 £'000	Company 2018 £'000	Restated Group 2018 £'000
Deferred tax (note 22)	–	1,978	–	1,291
Accrued income	–	3,277	–	–
Subordinated loans	8,293	–	12,351	–
	8,293	5,255	12,351	1,291

At the date of the acquisition of TheJudge Group Holdings Limited ("TheJudge"), in order to comply with International Financial Reporting Standards, the group implemented a change in accounting policy, whereby Work In Progress ("WIP"), is measured and recognised on the group balance sheet. The value of this WIP at 31st December 2019 was £13.1 million and is recognised within accrued income. £9.83 million is due within one year, while £3.28 million is due after one year.

The subordinated loans and their respective interest rates and repayment terms are shown below:

Subordinated loans were granted by the Company to Thomas Miller Claims Management Pty Ltd, Thomas Miller Law Ltd, Thomas Miller Law Pty Ltd, Thomas Miller Specialty Holdings Limited and Brookes Bell LLP. The loans either have fixed terms or are repayable on demand but only to the extent that the capital resources of the Company exceed the minimum capital resources requirement set by the relevant regulator. Interest receivable on the loans varies between the Bank of England base rate and 5%. Loans with an interest rate below market rate are repayable on demand.

22. Deferred taxation

The following are the major deferred tax assets and liabilities recognised by the group and movements thereon during the current and prior reporting period. Amounts of deferred taxation provided in the accounts are as follows:

	Other temporary differences £'000	Accelerated tax depreciation £'000	Forward foreign currency contracts £'000	Retirement benefit obligations £'000	Share-based payments £'000	Tax losses £'000	Total £'000
At 1 January 2018	(200)	402	13	930	209	228	1,582
Adjustment in respect of prior periods	(35)	–	–	(11)	–	–	(46)
Credit / (charge) to profit or loss	837	17	(2)	(1,021)	145	58	34
Charge to other comprehensive income	–	–	–	(140)	–	–	(140)
Charge direct to equity	–	–	–	–	5	–	5
Exchange differences	(2)	(1)	–	75	–	–	72
Acquisition of a subsidiary	24	–	–	–	–	–	24
Effect of change in tax rate:							
– income statement	(90)	(1)	–	66	(15)	(10)	(50)
– other comprehensive income	–	–	–	(189)	–	–	(189)
– equity	–	–	–	–	(1)	–	(1)
At 1 January 2019 as previously reported	534	417	11	(290)	343	276	1,291
Effect of change in accounting policy for the initial application of IFRS 16	961	–	–	–	–	–	961
At 1 January 2019 as restated	1,495	417	11	(290)	343	276	2,252
Adjustment in respect of prior periods	(40)	–	–	(57)	–	–	(97)
Credit / (charge) to profit or loss	2,860	(198)	(2)	(629)	278	96	2,405
Charge / (credit) to other comprehensive income	(27)	–	–	122	–	–	95
Credit direct to equity	–	–	–	–	18	–	18
Exchange differences	(9)	(1)	–	(23)	–	–	(33)
Acquisition of subsidiaries	(2,880)	(8)	–	–	–	–	(2,888)
Disposal of a subsidiary	–	–	–	–	–	(245)	(245)
Effect of change in tax rate:							
– income statement	(302)	19	–	52	(29)	(4)	(264)
– other comprehensive income	–	–	–	(29)	–	–	(29)
– equity	–	–	–	–	(2)	–	(2)
At 31 December 2019	1,097	229	9	(854)	608	123	1,212

Deferred tax assets and liabilities are offset where the group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2019 £'000	2018 £'000	Restated 2017 £'000
Deferred tax assets	1,978	1,291	2,344
Deferred tax liabilities (note 23)	(766)	–	(762)
	1,212	1,291	1,582

At the balance sheet date, the group has unused tax losses of £5.36 million (2018 – £7.62 million) available for offset against future profits. A deferred tax asset has been recognised in respect of £0.2 million (2018 – £1.20 million) of such losses. No deferred tax asset has been recognised in respect of the remaining £5.16 million (2018 – £6.40 million) as it is not considered probable that there will be future taxable profits available. All losses may be carried forward indefinitely as there is no time limit for their use.

No deferred tax liability is recognised on temporary differences of £18.7 million (2018 – £11.5 million) relating to the unremitted earnings of overseas subsidiaries as the group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. Temporary differences arising in connection with interests in associates are insignificant.

Notes to the Accounts for the year ended 31 December 2019 (continued)

23. Trade and other payables

Amounts falling due within one year	Company 2019 £'000	Group 2019 £'000	Company 2018 £'000	Group 2018 £'000
Trade creditors	–	22,388	–	19,297
Amounts owed to subsidiary undertakings	51,975	47	26,523	–
Amounts due under finance leases and hire purchase agreements	–	130	–	81
Corporation tax payable	162	3,401	325	1,161
PAYE and social security	–	1,659	–	224
Other creditors	–	30,849	–	25,874
Accruals	–	25,240	3,840	24,333
Deferred income	–	36,851	–	17,680
Derivative financial instruments	–	96	–	268
Provision for refund liability	–	1,381	–	1,540
External dividend payable	–	12	–	–
Future expense run off provision	–	294	–	332
	52,137	122,348	30,688	90,790

Other creditors includes £24.1 million (2018 – £22.4 million) owed to third parties by Ilex Global Reinsurance Company Limited, which is a subsidiary of Castletown Insurance Services Limited.

Amounts falling due after more than one year	Company 2019 £'000	Group 2019 £'000	Company 2018 £'000	Company 2018 £'000
Amounts due under finance leases and hire purchase agreements	–	–	–	122
Derivative financial instruments	–	–	–	135
Bank loans and overdrafts	–	–	–	145
Deferred taxation (note 22)	–	766	–	–
	–	766	–	402

Non current liabilities are valued using cost or amortised cost basis, as appropriate. Non current liabilities due more than 12 months after the reporting period comprise of the remaining financing leases and bank overdrafts.

24. Provisions for liabilities and charges

Group	Balance at 1 Jan 2019 £'000	Profit and loss account charge £'000	Amounts paid £'000	Balance at 31 Dec 2019 £'000
Claims reserves	852	(45)	(658)	149
Dilapidations provision	1,219	42	–	1,261
	2,071	(3)	(658)	1,410

Claims reserves represent amounts provided by the group's captive insurer for professional indemnity claims.

The dilapidations provision relates to the potential cost of complying with obligations contained within the lease of the Company's premises at 90 Fenchurch Street. These obligations relate to reinstatement, repair, redecoration and other statutory covenants.

25. Called up share capital

	2019 £'000	2018 £'000
Called up, allotted and fully paid:		
Equity interests: 14,030,107 ordinary shares of £0.10	1,403	1,403

The following shares of £0.10 nominal value were purchased by the Company during the year:

	Number of shares	Purchase price	Share capital £	Share premium £
Internal share market December 2019	862	£11.80	86	8,845

The use of the share premium account to fund share repurchases is permitted under Bermudian law.

Under the Company's Executive Share Option Scheme, employees held options for the following unissued ordinary shares at the end of the year:

Number of shares	Option price £	Exercisable from
25,000	4.50	Nov 2014
25,000	8.00	Aug 2018
18,814	8.15	Nov 2018
12,500	8.15	Dec 2018
30,000	9.35	Jun 2019
23,526	9.35	Jul 2019
28,500	7.45	Apr 2020
9,502	9.70	Apr 2020
15,000	9.35	Jun 2020
8,000	8.15	Apr 2021
22,796	10.30	Apr 2021
140,000	10.30	May 2021
7,764	10.20	May 2022
15,000	9.35	Jun 2021
21,395	10.75	Jul 2021
6,462	10.70	Aug 2021
35,022	10.75	Oct 2021
11,764	10.20	Mar 2022
5,612	9.70	Apr 2022
18,489	10.20	Apr 2022
9,302	10.75	Jul 2022
2,846	10.70	Aug 2022
19,989	10.75	Oct 2022
6,618	10.20	Mar 2023
15,052	10.30	Apr 2023
3,618	10.20	May 2023
9,303	10.75	Jul 2023
2,846	10.70	Aug 2023
19,989	10.75	Oct 2023
6,618	10.20	Mar 2024
4,210	10.20	Apr 2024
3,618	10.20	May 2024
2,846	10.70	Aug 2024

The majority of options are exercisable after three years from the date of grant and up to ten years less one day from the date of grant.

25. Called up share capital (continued)

Under the Company's UK Save As You Earn scheme, employees held options for the following number of ordinary shares at the end of the year:

Number of shares	Option price £	Exercisable from
37,839	7.45	Mar 2020
23,884	9.70	Mar 2020
46,512	8.15	Mar 2021
46,222	10.30	Mar 2021
26,272	9.70	Mar 2022
35,842	10.20	Mar 2022
27,663	10.30	Mar 2023
31,208	10.20	Mar 2024

26. Employee Benefit Trusts

The Thomas Miller Employee Benefit Trusts were established to acquire shares in order to make them available to group employees under profit sharing schemes, share option schemes, an employee share ownership plan and other schemes as they become available. The details of the various share schemes are disclosed below in note 29.

In addition to the above the trusts hold shares which are not specifically vested in employees:

	Number of shares 2019	Market value 2019 £'000	Average cost 2019 £'000	Number of shares 2018	Market value 2018 £'000	Average cost 2018 £'000
Thomas Miller Employee Share Trust No.1	469,098	5,535	5,067	652,156	6,652	6,444
Thomas Miller Employee Share Trust No.2	2,656,003	31,341	12,175	2,635,328	26,880	12,162
	3,125,101	36,876	17,242	3,287,484	33,532	18,606

Loans have been made by Thomas Miller & Co. Limited to Apex Financial Services (Trust Company) Ltd (formerly Link Market Services (Trustees) Limited) to enable the purchase of these shares. The Trustees of the Thomas Miller Employee Benefit Trusts ("EBT") waived their rights to dividends payable. The Company gifted £2,516,775 to Thomas Miller Employee Share Trust No.1 to enable it to acquire shares in the December 2019 share market (2018 – £4,118,235).

The purpose of the EBTs is to meet known and forecast demand in Thomas Miller Holdings Ltd. shares and also be a source of shares for the issuance of share awards and the exercise of options.

27. Own shares

	2019 £'000	2018 £'000
Balance at 1 January	18,606	19,481
Proceeds received on exercise of options by employees	(713)	(1,817)
Loss on EBT shares acquired by employees	(311)	(629)
Purchase of shares in the market	4,194	4,118
Proceeds on sale of shares in the market	(1,877)	(454)
Value of shares awarded to employees under share awards	(2,523)	(2,259)
Profit on shares awarded to employees	118	287
Other disposals	(252)	(121)
Balance at 31 December	17,242	18,606

The shares held by the EBTs are to be used to settle share awards under the various share schemes operated by the group. The remaining shares are intended to be used to satisfy share options, to distribute as bonuses and to distribute to employees on reaching three years' continuous service with the group. As at 31 December 2019, the average cost of the shares held by the EBTs exceed the anticipated proceeds from the exercise of outstanding options and other share awards held in the EBTs by £267,000 (2018 – £135,000).

The following Company shares, all with a nominal value of £0.10, were purchased by the EBTs during the year for the following price:

Number of shares purchased	Price per share	Cost £'000
157,625 shares purchased in July 2019	£10.70	1,686
212,530 shares purchased in December 2019	£11.80	2,508
		4,194

The 1 June 2019 price of £10.70 was determined by the parent Company's valuer at that time, Deloitte LLP, for a single share in accordance with the Company's bye-laws. The share price at 1 November 2019 of £11.80 was determined on the same basis by the parent Company's current valuer, Alvarez & Marsal Valuation Services LLP.

Notes to the Accounts for the year ended 31 December 2019 (continued)

28. Leases

Right-of-use assets

Cost	Buildings £'000	Motor vehicles £'000	Equipment £'000	Total £'000
At 1 January 2019	51,609	147	153	51,909
Additions	2,744	–	–	2,744
At 31 December 2019	54,353	147	153	54,653
Accumulated depreciation				
At 1 January 2019	(31,576)	(10)	(72)	(31,658)
Charge for the year	(5,052)	(57)	(30)	(5,139)
At 31 December 2019	(36,628)	(67)	(102)	(36,797)
Carrying amount				
At 31 December 2019	17,725	80	51	17,856

The group leases several assets including buildings, motor vehicles and photocopiers. The average lease term is 7 years (2018 – 7 years).

Approximately a quarter of the leases for property, plant and equipment expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets.

Amounts recognised in consolidated income statement

	2019 £'000
Depreciation expense on right-of-use assets	5,139
Interest expense on lease liabilities	818
Expense relating to dilapidations	42

Lease liabilities

	2019 £'000
Analysed as:	
Non-current	17,846
Current	5,202

Maturity analysis

	2019 £'000
Year 1	4,791
Year 2	3,843
Year 3	3,806
Year 4	3,918
Year 5	1,392
Onwards	97

The group does not face a significant liquidity risk with regard to its lease liabilities.

29. Share-based payments

Employee share option schemes and other share-based plans

Equity-settled share option schemes
The Company has various share option schemes as outlined below:

(i) The Thomas Miller Executive Share Option Scheme
The group awards share options to certain employees under the Thomas Miller Executive Share Option Scheme enabling them to acquire ordinary shares in Thomas Miller Holdings Ltd. at their market value at the date of grant. Options are generally exercisable three years after the date of grant and up to ten years less one day from the date of grant. Options are forfeited when an employee leaves the group unless by reason of retirement or redundancy, in which case, the employee has up to six months to exercise the option.

(ii) The Thomas Miller UK Savings Related Share Option Scheme
The group operates a savings related option scheme under which employees save a fixed amount per month over either a three year or five year period under a Save As You Earn contract operated by a third party administrator. On completion of the savings contract employees have the choice, within six months of the vesting date, of either exercising their option or taking the amount saved in cash. The options automatically lapse six months after vesting. This scheme is a scheme approved by the UK tax authorities and as such is only available to employees resident in the UK and the Isle of Man.

(iii) The Thomas Miller Non UK Share Option Scheme
The options granted under this scheme are identical to those granted under the UK savings related option scheme with the exception that there is no savings related element to the scheme. This scheme is only open to non UK employees. This scheme is part of the Thomas Miller Executive Share Option Scheme and the option movements for the Thomas Miller Non UK Share Option Scheme are shown below as part of that scheme's disclosures.

(iv) 2017 Executive Directors' Long-Term Incentive Plan ("LTIP")
The LTIP is aimed at key executives who strongly influence the results of the group. The LTIP commenced on 1 July 2017 and the performance period runs to 31 December 2022. Notional units are awarded to LTIP participants every six months which are convertible into options over shares in Thomas Miller Holdings Ltd. once the performance period has ended. The options granted will be exercisable within three years of the date of grant.

Details of the share options outstanding during the year are as follows:

	The Thomas Miller Executive Share Option Scheme		The Thomas Miller UK Savings Related Share Option Scheme		Total	
	Number of options	Weighted average exercise price (in £)	Number of options	Weighted average exercise price (in £)	Number of options	Weighted average exercise price (in £)
Year ended 31 December 2019						
Outstanding at beginning of period	545,801	9.42	316,878	8.70	862,679	9.16
Granted during the period	77,699	10.30	71,949	10.20	149,648	10.25
Forfeited during the period	(16,133)	8.82	(30,425)	9.83	(46,558)	9.48
Exercised during the period	(20,366)	7.79	(82,960)	7.29	(103,326)	7.39
Outstanding at the end of the period	587,001	9.61	275,442	9.41	862,443	9.55
Exercisable at the end of the period	134,840	7.92	–	–	134,840	7.92
Year ended 31 December 2018						
Outstanding at beginning of period	365,260	6.59	289,774	7.90	655,034	7.17
Granted during the period	409,474	10.55	93,023	10.25	502,497	10.49
Forfeited during the period	(13,200)	7.35	(13,300)	9.08	(26,500)	8.22
Exercised during the period	(215,733)	6.89	(52,619)	6.90	(268,352)	6.89
Outstanding at the end of the period	545,801	9.42	316,878	8.70	862,679	9.16
Exercisable at the end of the period	91,180	7.11	–	–	91,180	7.11

The weighted average share price at the date of exercise for share options exercised during the period was £10.35. The options outstanding at 31 December 2019 had a weighted average exercise price of £9.16, and a weighted average remaining contractual life of 4.87 years. The aggregate of the estimated fair values of the options granted in 2019 is £194,957 (2018 – £586,000).

Notes to the Accounts for the year ended 31 December 2019 (continued)

29. Share-based payments (continued)

The inputs into the Black-Scholes option pricing model in respect of share options granted are as follows:

	2019	2018
Weighted average share price	£10.25	£10.49
Weighted average exercise price	£10.25	£10.49
Expected volatility	25%	25%
Expected life (years)	5.04	6.70
Risk-free rate	1.11%	1.36%
Expected dividends	40.64p	41.59p
Dividend yield	3.97%	3.96%

The inputs into the Black-Scholes option pricing model in respect of notional units awarded under the LTIP are as follows:

	2019	2018
Weighted average share price	£10.00	£10.00
Weighted average exercise price	£0.00	£0.00
Expected volatility	25%	25%
Expected life (years)	5.50	5.50
Risk-free rate	1.51%	1.51%
Expected dividends	40.00p	40.00p
Dividend yield	4.00%	4.00%

The expected volatility was determined by calculating the historical volatility of the group's share price over the period since incorporation.

The group recognised total expenses in respect of share-based payments as follows:

	2019 £'000	2018 £'000
Equity settled share option schemes	292	311
2017 Executive Directors' Long-Term Incentive Plan	1,264	712
Shares awarded under bonus schemes – cash-settled	1,334	1,477
Cash-settled share option schemes	120	91
Charges in respect of service award scheme – cash-settled	116	126
	3,126	2,717

Other share-based plans

(i) The Thomas Miller Share Incentive Plan
The scheme trustees are Link Market Services Trustees Limited. Group employees subject to UK income tax are eligible to participate in this plan. The plan has tax advantages for employees who choose to hold shares in the Company. All the shares held by this trust are held on behalf of named employees.

(ii) The Thomas Miller Bonus Share Schemes
The group makes annual bonus payments to staff as part of their remuneration. In previous years certain staff had the option to enhance their bonus by electing to take part of the bonus in restricted shares in the Company, other more senior staff were required to take a proportion of their bonus in shares. The shares cannot be sold for three years. No awards were made during the current financial year.

(iii) The Thomas Miller Long-Term Share Acquisition Plan ("LTSAP")
The group operates an additional bonus scheme for senior staff which is dependent on meeting pre-determined financial targets for profitability. Any shares awarded to employees under this scheme cannot be sold for a minimum of five years.

Commencing 1 January 2014 (for awards to be payable in 2015 and later), the revised target is the achievement of Corporate Plan profit targets for the year concerned, the Corporate Plan targets having been agreed by the board of Thomas Miller Holdings Ltd.

(iv) Thomas Miller Holdings Ltd. Part B Bonus Plan ("Part B Bonus Plan")
The Part B Bonus Plan was introduced during 2015 to the executive directors of Thomas Miller Holdings Ltd. in the event of significant outperformance by the group to the extent that profits of the group exceed the Corporate Plan profit target for the year after allowing for a full award to LTSAP participants. Any shares awarded under this scheme cannot be sold for a minimum of five years.

(v) Thomas Miller Holdings Ltd. Executive LTIP
The 2017 LTIP is designed as an incentive for key executives who strongly influence the success of the Company, it is subject to achieving demanding performance targets aligned to strategic key performance indicators identified in the Plan. The participants can share in an Incentive Pool of up to 726,000 shares (representing 5% of the Company's present issued share capital). The plan was closed early in 2020.

The Company as a "qualifying entity" is exempt from providing full disclosures about share-based payments in accordance with section 26 of FRS 102.

30. Financial instruments

Capital management

The group manages its capital to provide returns to its shareholders and manage other stakeholders. The group looks to produce financial returns from its capital appropriate to the level of risk taken. The group retains capital in the business at a level appropriate to the financial strength of the business and the conditions in the economic environment. The normal mechanisms for moderating the level of capital retained are through adjusting the levels of bonus or dividend paid and also through considering whether investments or divestments are appropriate. Decisions on these matters will be reviewed and agreed by the board of Thomas Miller Holdings Ltd.

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the basis for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 1.

Fair values of financial instruments

	Company 2019 £'000	Group 2019 £'000	Company 2018 £'000	Group 2018 £'000
Financial assets				
Fixed asset investments	51,705	523	36,666	1,515
Current asset listed investments	–	2,475	–	2,955
Current asset unlisted investments	2	3	2	3
Cash and cash equivalents	4,035	72,832	189	51,332
Trade and other receivables	18,948	66,402	8,072	48,240
	74,690	142,235	44,929	104,045
Financial liabilities				
Trade and other payables	51,975	116,987	30,363	87,408
Tax liabilities	162	3,401	325	1,161
Obligations under finance leases	–	130	–	81
Provisions	–	1,410	–	2,071
Fair Value Through Profit and Loss ("FVPTL") – held as trading	–	160	–	(403)
Retirement benefit obligation	–	4,479	–	5,408
	52,137	126,567	30,688	95,726

Financial liabilities designated as at FVTPL

	Company 2019 £'000	Group 2019 £'000	Company 2018 £'000	Group 2018 £'000
Difference between carrying amount and contractual amount at maturity:				
Amount payable at maturity	–	17,077	–	9,748
Less: Fair value of liabilities designated at FVTPL	–	(16,917)	–	(9,345)
	–	160	–	403

30. Financial instruments (continued)

Financial risk management objectives
The group is exposed to financial risk through its financial assets and financial liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from financial liabilities as they fall due. The most important components of this financial risk are interest rate risk, currency risk, credit risk and liquidity risk.

The group manages these positions through the Treasury Advisory Committee which operates under terms of reference approved by the board of Thomas Miller Holdings Ltd. The Committee aims to monitor and reduce exposure to the various components of financial risk.

The group is also exposed to the above risks through the operation of a number of final salary pension schemes. The strategy for dealing with the associated risks is managed by the board through close liaison with trustee boards.

The group does not use derivative financial instruments for speculative purposes.

Valuation techniques and assumptions applied for the purposes of measuring fair value
The fair values of the group's financial assets and liabilities are determined as follows:

- For those financial assets and liabilities that are cash or short-term trade receivables or payables, carrying amount is a reasonable approximation of fair value.
- Retirement benefit obligations are valued by independent actuaries in accordance with IFRS.
- The group's remaining financial assets and liabilities are measured, subsequent to initial recognition, at fair value, and they can be grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Fair value measurements
- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2019 Level 1 £'000	2019 Level 2 £'000	2019 Level 3 £'000	2018 Level 1 £'000	2018 Level 2 £'000	2018 Level 3 £'000
Current asset listed investments	2,475	–	–	2,955	–	–
Forward contracts	–	160	–	–	403	–
Accrued income	–	–	13,100	–	–	–

The fair values of the financial assets and liabilities included in the Level 2 category have been independently valued by HSBC based on observable market conditions prevailing at the valuation date, including relevant foreign exchange rates.

The fair value of the financial assets included in the Level 3 category have been calculated by management and relate to the accrued income in respect of TheJudge Limited. The methodology is detailed in Note 1.16.

The fair value of the following assets and liabilities approximate to their carrying amounts:

- Receivables;
- Cash and cash equivalents; and
- Payables and other financial liabilities.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the group is exposed to credit risk are:

– corporate bonds held within the group;

– amounts due from insurance and other customers; and

– cash balances held with financial institutions.

The group, through the Treasury Advisory Committee, places limits on the level of cash balances held at any financial institution. Amounts due to the group are actively monitored by the credit control department and board of the relevant group undertaking.

The group applies IFRS 9 "Financial Instruments", which requires a forward-looking expected credit losses model approach for financial loss impairment.

Trade receivables and accrued income are subject to impairment using the expected credit losses model. As permitted by IFRS 9, the group applies the simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and contract assets. Consequently, the IFRS 9 concept of a significant increase in credit risk is not applicable to the group's expected credit losses. To assess expected credit losses, balances are either assessed individually or grouped based on similar credit risk characteristics. The group is not involved with complex financial instruments, it does not apply hedge accounting, nor has any history of material credit losses. The majority of the group revenue comprising of management and incentive fees and investment management fees are not considered in the assessment because the payments received from the clubs are subject to individual signed contracts / fee agreements with the management Company and also through club board approval. Assessments are carried out regularly across the group to review level of bad debt provisions and credit losses, to determine the impact of these on the group financial statements. The level of credit losses across the rest of the group is low and immaterial.

Aged debtor reports are reviewed at each month end and a general bad debt provision is made for a minimum of 50% of all outstanding debts over 6 months old, after deduction of any debts specifically provided for.

Interest rate risk
Interest rate risk exists from the group's exposure to adverse movements in interest rates in relation to cash balances, deposits and leases. The Treasury Advisory Committee monitors the risk and reduces its exposure by considering choice of available funds. The Committee takes advice from investment specialists within the group and acts in line with the group's Investment Policy. The group is not materially exposed to movements in interest rates particularly as it does not have any financial liabilities.

The interest rate risk profile of financial assets at 31 December, was as follows:

Group	Floating rate 2019 £'000	Non-interest bearing 2019 £'000	Total 2019 £'000	Floating rate 2018 £'000	Restated Non-interest bearing 2018 £'000	Total 2018 £'000
Financial assets						
£ sterling	6,666	21,427	28,093	25,689	12,478	38,167
US$	864	16,750	17,614	965	7,837	8,802
Other	22,030	5,095	27,125	544	3,820	4,364
	29,560	43,272	72,832	27,198	24,135	51,332

Company	Floating rate 2019 £'000	Non-interest bearing 2019 £'000	Total 2019 £'000	Floating rate 2018 £'000	Non-interest bearing 2018 £'000	Total 2018 £'000
Financial assets						
£ sterling	3,977	43	4,020	110	29	139
US$	15	–	15	26	24	50
	3,992	43	4,035	136	53	189

30. Financial instruments (continued)

Currency risk
The group is exposed to currency risk in respect of certain income streams denominated in currencies other than Sterling. The most significant currency to which the group is exposed is the US Dollar. The group seeks to mitigate the risk through forward currency sales. This aims to reduce exposure to unexpected changes in currency exchange rates. The impact of foreign exchange movements on US Dollar income transactions is offset to a large extent by an equivalent impact on US Dollar expenses.

The carrying amounts of the group's monetary assets and liabilities, held by entities with a functional currency other than Sterling, at the reporting date are as follows:

Group	Assets 2019 £'000	Assets 2018 £'000	Liabilities 2019 £'000	Liabilities 2018 £'000
US$	5,942	5,797	929	954
Other	10,376	6,704	10,791	9,679
	16,318	12,501	11,720	10,633

Company	Assets 2019 £'000	Assets 2018 £'000	Liabilities 2019 £'000	Liabilities 2018 £'000
US$	15	50	–	–

Currency sensitivity
The results of overseas subsidiaries when translated into Sterling using the average rate of exchange for the year have been compared with the results following a 10% weakening of the currency average rate for the year has been assumed in the sensitivity analysis and the impact is shown in the table below:

	2019 £'000	2018 £'000
Profit before tax decrease	90	52

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 Investment Policy sets limits on cash balances to ensure that funds are available to cover anticipated liabilities and unexpected levels of demand.

31. Derivative financial instruments

Derivatives that are designated as "held for trading" and carried at fair value:

	Current		Non-current	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Assets				
Forward foreign currency contracts	143	–	113	–
Liabilities				
Forward foreign currency contracts	96	268	–	135

Forward foreign currency contracts are valued using quoted forward exchange rates and revalued at the rate available to cancel the contract, with any gains and losses accounted for within the income statement.

32. Retirement benefit schemes

Defined contribution scheme
Thomas Miller & Co Limited operates a defined contribution retirement scheme for all qualifying employees within the United Kingdom. Depending on the age of the participant, the subsidiary contributes a specified percentage of a participants' pay to the retirement benefits scheme to fund the benefits. The only obligation of the group with respect to the retirement benefit scheme is to make the specified contributions. The total expense charged to the profit in the year ended 31 December 2019 was £5.21 million (2018 – £4.99 million).

Defined benefit schemes
The group operates a number of funded and unfunded defined benefit final salary pension schemes; the funded schemes have been set up under trusts that hold their financial assets separately from those of the group. Valuations have been performed in accordance with the requirements of IAS 19 "Employee Benefits" as at each reporting date. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

Scheme liabilities have been calculated using a consistent projected unit valuation method and compared to the schemes' assets at the 31 December 2019 market value as shown below.

A full actuarial valuation for the Thomas Miller & Co Retirement Scheme ("TMC Scheme"), a funded final salary pension scheme, was performed at 1 July 2017 and was updated to 31 December 2019 by external actuaries. It showed that, on an IAS 19 Employee Benefits basis, the market value of the Scheme's assets was £202,711,000 (2018 – £181,013,000) and that the actuarial value of these assets represented 104% (2018 – 103%) of the benefits that had accrued to members. Future service accrual under the Scheme ceased with effect from 1 October 2004. In addition, salary linkage was removed for active members who remained employees with effect from 30 June 2011.

The group considers that were a pension asset to be realised in respect of the TMC scheme after all member benefits have been paid and after the scheme is wound up, this would be fully recoverable by the group in line with the rules of that scheme. In the meantime, in the ordinary course of business the Trustee has no rights to unilaterally wind up the scheme or otherwise augment the benefits payable to members. Therefore, any pension surplus is recognised in full under current accounting standards (IFRIC 14).

Thomas Miller (Americas) Inc. operates a funded final salary pension scheme. The funded scheme has been set up under trusts that hold their financial assets separately from those of the Company. Valuations have been performed in accordance with the requirements of IAS 19 as at each reporting date by an independent external actuary.

Thomas Miller (Bermuda) Ltd operates a defined benefit pension scheme which has been set up under trusts that hold their financial assets separately to those of the Company. Valuations have been performed in accordance with the requirements of IAS 19 as at each reporting date by an external firm of actuaries. This scheme is closed to new entrants and all active members had left the service of the Company by 31 December 2012.

Risks
The schemes listed above typically expose the group to actuarial risks such as: investment risk, interest rate risk and longevity risk. The majority of the risk relating to benefits to be paid to the dependants of scheme members is not re-insured.

Investment risk
The present value of the defined benefit plan liabilities is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit which may require additional contributions from the group to pay all the benefits promised under the schemes. Currently the plans have a relatively balanced investment in equity securities, debt instruments and real estate investment trusts. Due to the long-term nature of the plan liabilities, the trustees of the pension funds consider it appropriate that a reasonable portion of the plan assets should be invested in equity securities and other growth assets to leverage the return generated by the fund.

Interest risk
A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk
The present value of the defined benefit plan liabilities is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Inflation risk
Actual inflation is lower and so benefit payments are lower than anticipated.

Regulatory risk
In future the schemes may have backdated claims or liabilities arising from future legislation, emerging practice or court judgements.

Notes to the Accounts for the year ended 31 December 2019 (continued)

32. Retirement benefit schemes (continued)

The group assumed a liability to pay annuities to those former partners of Thos R. Miller & Son who had retired prior to 1989. The total unfunded liability has been calculated according to standard actuarial methods using an assumption of future investment returns of 2.10% (2018 – 2.90%). In addition, the group has also assumed a liability to pay an annuity to a former employee of one of its Isle of Man subsidiaries; this has been calculated on the same basis and using the same assumptions.

Principal actuarial assumptions at the balance sheet date:

	2019	2018
UK & Bermuda Schemes		
Discount rate	2.10%	2.90%
Future inflation-linked pension increases	2.90%	3.10%
Future inflation – RPI	3.00%	3.20%
Future inflation – CPI	2.20%	2.20%
USA Scheme		
Discount rate	3.10%	4.10%
Salary inflation (US scheme only)	N/A	3.00%
Inflation	2.25%	2.25%

Mortality	2019 UK and Bermuda schemes only	2018 UK and Bermuda schemes only
Male	S2NA_L Tables	S2NA_L Tables
Females	S2NA Tables	S2NA Tables
Projections	CMI 2017 core projections long-term rate 1.25% per annum	CMI 2017 core projections long-term rate 1.25% per annum

The assumed life expectations on retirement at age 65:

Retiring today		
Males	25.2	25.1
Females	26.1	26.1
Retiring in 20 years		
Males	26.6	26.5
Females	27.7	27.6

The amount included in the balance sheet arising from the group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2019 £'000	2018 £'000	2017 £'000
Present value of funded obligations	209,387	189,551	210,751
Fair value of assets	(215,079)	(192,353)	(208,683)
	(5,692)	(2,802)	2,068
Present value of unfunded obligations	2,402	2,842	2,923
Net (surplus) / liability arising from defined benefit obligations	(3,290)	40	4,991

At 31 December 2019, the group had an overall "net surplus" of £3.29 million in respect of its defined benefit schemes. This included an accounting surplus of £7.77 million, arising in respect of the TMC Scheme. The other schemes have an overall deficit of £4.48 million.

The amounts recognised in income in respect of these defined benefit obligations are as follows:

	2019 £'000	2018 £'000
Current service cost	–	320
Net interest on net defined benefit liability	(126)	54
Administrative expenses	41	39
Liabilities extinguished on settlement	–	(200)
Curtailment gain arising from the freezing of US Scheme benefits as at 31 December 2018	–	(1,006)
Total	(85)	(793)

US Scheme pension expenses of £41,000 have been included in the income statement within administrative expenses. The net interest expense has been included within finance costs (see note 8). The remeasurement of the net defined benefit liability is included in the statement of comprehensive income.

With effect from 31 December 2018, the Thomas Miller (Americas) Inc. Pension Plan was amended to stop the accrual of future benefits for all employees. Whilst this amendment does not reduce the benefits already accrued to this date, the accrued benefits are frozen as at 31 December 2018, and will not increase. Consequently, the present value of the plan liabilities is based on pensionable pay earned to December 31 2018 when the plan was frozen, rather than being projected to the plan retirement date. This resulted in a curtailment gain of $1.3 million, which was recognised in the income statement for the year ended 31 December 2018.

During 2018 for the UK Scheme, an exercise was undertaken whereby members nearing retirement were provided with access to advice so that they could consider their benefits and relevant options. The options to members were calculated on standard scheme terms and on average the benefits paid were lower than the corresponding defined benefit obligation required under IAS 19. The net impact was recognised as a settlement in the income statement for the year ended 31 December 2018.

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

	2019 £'000	2018 £'000
The (gain) / loss on plan assets (excluding amounts included in net interest expense)	(18,416)	12,054
Actuarial (gains) / losses arising from changes in demographic assumptions	(302)	258
Actuarial losses / (gains) arising from changes in financial assumptions	22,975	(10,644)
Actuarial (gains) / losses arising from experience adjustments	(44)	264
Remeasurement of the net defined benefit liability	4,213	1,932

On 26 October 2018, the High Court handed down a judgment concluding that the Lloyds Bank defined benefit schemes should remove the effect on pension benefits of inequalities between men and women in relation to guaranteed minimum pension (GMP), and concluded on certain methods that were appropriate to do this. In line with UK practice for companies sponsoring schemes with GMP liabilities relating to member service between May 1990 and April 1997, we believe this ruling will apply more widely. The estimated impact on liabilities at the date of the judgment was an increase of £500,000. This estimate is based on a number of assumptions and the actual impact may be different as the full implications of the judgment are not known including important details on the legal and administrative positions, and the Company and trustee have yet to take decisions on how to implement the judgment. This estimate was recognised as a change in financial assumption in other comprehensive income in the year ended 31 December 2018.

Notes to the Accounts for the year ended 31 December 2019 (continued)

32. Retirement benefit schemes (continued)

Movements in the present value of defined benefit obligations in the year were as follows:

	2019 £'000	2018 £'000
Opening defined benefit obligation	192,393	213,674
Service cost	–	320
Interest cost	5,625	5,344
Remeasurement (gains) / losses:		
Actuarial (gains) / losses arising from changes in demographic assumptions	(302)	258
Actuarial losses / (gains) arising from changes in financial assumptions	22,975	(10,644)
Actuarial (gains) / losses arising from experience adjustments	(44)	264
Gains on curtailments	–	(1,006)
Liabilities extinguished on settlements	–	(7,968)
Exchange differences on foreign arrangements	(600)	1,067
Benefits paid	(8,258)	(8,916)
Closing defined benefit obligation	211,789	192,393

Movements In the fair value of plan assets in the year were as follows:

	2019 £'000	2018 £'000
Opening fair value of plan assets	192,353	208,683
Interest income	5,751	5,290
Remeasurement gain / (loss):		
The return / (loss) on plan assets (excluding amounts included in net interest expense)	18,416	(4,286)
Assets distributed on settlements	–	(7,768)
Administrative expenses	(41)	(7,807)
Contributions by employer	7,343	6,410
Exchange differences on foreign arrangements	(485)	747
Benefits paid	(8,258)	(8,916)
Closing fair value of plan assets	215,079	192,353

The major categories and fair values of plan assets at the end of the reporting period for each category are as follows:

	2019 £'000	2018 £'000
Liability driven investments	119,317	106,396
Equities	21,593	17,365
Bonds	11,875	10,960
Other growth assets:		
– absolute return funds	19,189	16,047
– diversified growth funds	33,386	29,467
– emerging market multi-asset funds	8,504	7,565
Cash	1,207	4,543
Insurance policies	8	10
Fair value of plan assets	215,079	192,353

The schemes assets are invested in a diversified range of assets as highlighted above, with the majority of these quoted in an active market. These assets include liability driven investments which aim to match the benefits to be paid to scheme members from the scheme and therefore remove the investment inflation risk in relation to those liabilities.

The holding of these investments is part of an overall hedging strategy. The current strategy is to hedge approximately 65% of the interest rate risk and approximately 70% of the inflation risk in relation to those liabilities. The scheme does not invest directly in financial securities issued by the Company or in property or other assets used by the Company.

Sensitivity analysis of the principal assumptions used to measure scheme liabilities

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 0.5%	Decrease by 9%
	Decrease by 0.5%	Increase by 9%
Rate of inflation	Increase by 0.5%	Increase by 4%
	Decrease by 0.5%	Decrease by 3%
Rate of mortality	Increase by 1 year	Increase by 5%

The above sensitivities relate to the main retirement benefit scheme operated by the group, The Thomas Miller & Co. Limited Retirement Benefits Scheme. Furthermore, the above sensitivities do not take into account any potential impact of the change in assumptions on the assets of this scheme, which may have a compensating sensitivity.

Future contributions

The group is expected to make the following contributions to the various defined benefit pension schemes during the year to 31 December 2020:

	Contributions to be made in the year £'000
Thomas Miller & Co. Limited Retirement Benefits Scheme	11,097
Annuities payable to former partners and employees	501
Thomas Miller (Bermuda) Ltd Retirement Benefits Scheme	75
Thomas Miller (Americas) Inc. Retirement Benefits Scheme	803
	12,476

33. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The remuneration of directors is disclosed in note 5. Certain employees of the group are members of one of the three defined benefit schemes operated by the group, of which details are given in note 32.

34. Acquisition of subsidiaries

On 17 September 2019, the group acquired 100 per cent of the issued share capital of Associated Petroleum Consultants Limited, a specialist marine technical consultancy business, providing services complementary to the other businesses within the group.

On 14 November 2019, the group acquired the remaining 76.91% of the issued share capital of TheJudge Group Holdings Limited, an insurance broker specialising in after-the-event legal costs insurance (ATE), bringing its total shareholding up to 100% of issued share capital. The acquisition will strengthen the group's position in the ATE market in the UK and internationally.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:	Associated Petroleum Consultants Ltd £'000	TheJudge £'000	Total £'000
Non current assets	25	44	69
Cash	401	2,676	3,077
Other current assets	221	106	327
Accrued income (work in progress)	–	13,106	13,106
Current liabilities	(124)	(1,179)	(1,303)
Corporation tax	–	(107)	(107)
Deferred tax	–	(2,228)	(2,228)
Non current liabilities	(4)	–	(4)
Provisions for liabilities	–	(8)	(8)
Identifiable assets and liabilities	518	12,410	12,928
Goodwill	129	3,347	3,476
Consideration	648	15,757	16,405
Satisfied by:			
Initial cash consideration	150	10,162	10,312
Deferred consideration	498	1,957	2,455
Fair value of Associate investment	–	3,638	3,638
Consideration	648	15,757	16,405
Acquisition of subsidiaries (cash paid)	(150)	(10,162)	(10,312)
Net cash acquired with subsidiary	401	2,676	3,077
Other assets and liabilities	118	9,734	9,852
Deferred consideration	(498)	(1,957)	(2,455)
Fair value of Associate investment	–	(3,638)	(3,638)
	(129)	(3,347)	(3,476)

35. Consolidated cash flow statement – reconciliation of operating profit to operating cash flows

	2019 £'000	2018 £'000
Group operating profit (including discontinued operations)	11,502	18,270
Depreciation and amortisation charges	7,147	1,485
(Decrease) / increase in provisions	(874)	768
Adjustment for pension funding (see below)	(7,302)	(7,257)
Shares awarded to employees under various bonus schemes	2,523	2,259
Equity settled share option charge	1,298	1,021
Operating cash flows before movements in working capital	14,294	16,546
Increase in debtors	(3,998)	(6,503)
Increase in creditors	28,423	5,902
Cash generated by operations	38,719	15,945
Corporation tax paid	(3,194)	(2,652)
Interest paid	(1,362)	(120)
Net cash from operating activities	34,163	13,173

The adjustment for pension funding represents the net of current service costs, the gains on curtailment and contributions paid.

Cash at bank and in hand is broken down as follows:	2019 £'000	2018 £'000
Non client cash:		
Liquidity funds	4,333	2,244
Other bank accounts	23,814	16,798
Client cash	44,685	32,290
	72,832	51,332

36. Commitments

At 31 December 2019, the group had entered into forward contracts to hedge anticipated currency receipts in two subsidiary companies. The forward contracts are summarised below:

Exercise date	Currency sold	Amount	Currency bought	Contract rate
29 May 2020	USD	300,000	GBP	1.3885
18 November 2020	USD	1,050,000	GBP	1.3978
18 November 2020	USD	2,227,000	GBP	1.3747
24 June 2020	USD	500,000	GBP	1.3205
29 July 2020	USD	4,900,000	GBP	1.3009
19 November 2020	USD	2,400,000	GBP	1.2895
28 July 2021	USD	3,700,000	GBP	1.3108
18 November 2021	USD	2,000,000	GBP	1.3001

The impact of fair value movements on open forward contracts during 2019 was a gain of £160,000 (2018 – £403,000). The fair value of open forward contracts at 31 December 2019 is shown in note 31.

Notes to the Accounts for the year ended 31 December 2019 (continued)

37. Litigation

The group is subject to certain claims and litigation arising in the normal course of its mutual management business and other activities. Damages are sought in these claims and litigation. However, on the basis of current information and legal advice, the Company does not expect that these claims and litigation will have a material impact on the financial position of the group, however, the Company has made provisions net of any insurance recoveries against such liabilities where they deem appropriate.

38. Post balance sheet events

On 11 March 2020, COVID-19 was declared a global pandemic because of the rising rate of infections. The Directors of the Company consider the impact of the COVID-19 pandemic to be a non-adjusting post balance sheet event because of the disruption it has caused to economic activity, including the recent falls in equity markets and increased market volatility. In compliance with UK Government guidelines, the Company has invoked its business continuity arrangements. All members of staff deployed within the business are currently working remotely, and continue to provide a full service to clients. Given the continuing uncertainties, it is not practicable to determine the financial impact of the pandemic on the Company, although it is not expected to be material in the foreseeable future. The Company has adequate capital to meet its regulatory requirements. The Directors are not aware of any other significant post balance sheet events that require disclosure in these financial statements.

Notice of Meeting

(Registered in Bermuda, No EC26282)

TO: The holders of Ordinary Shares

NOTICE IS HEREBY GIVEN that the Twenty First Annual General Meeting of the Company will take place at 90 Fenchurch Street, London, EC3M 4ST and on webinar on Friday 26 June 2020 at 12:00 noon (BST) for the following purposes:

1. To confirm that the Notice convening the meeting has been sent to all shareholders and SIP participants.
2. To confirm the minutes of the Twentieth Annual General Meeting held on 28 June 2019 and the minutes of the Special General Meeting dated 13 November 2019.
3. Presentation on the Businesses and the Financials for the Thomas Miller Group..
4. To receive the Auditor's Report.
5. To approve the Financial Statements for the year ended 31 December 2019 and if they are approved to adopt them.
6. Declaration of the Final Dividend.
   The Board has declared a final dividend of 22.0 pence per ordinary share, with the first Interim dividend of 12.5 pence per ordinary share already paid and the second interim dividend of 12.5 pence per ordinary share already paid, and a special dividend of 31.0p, declared at the 2019 AGM, making a total for the year of 78.0 pence per ordinary share.
7. To elect Directors and Officers in line with the Bye-Laws of the Company.
8. To re-appoint Deloitte LLP as auditor of the Company to hold office until the conclusion of the next General Meeting of the Company at which accounts are laid before the meeting and to authorise the directors to agree their remuneration.

Due to current social distancing measures shareholders are not invited to attend the meeting at 90 Fenchurch Street, instead they should attend by webinar.

The Board recommends that you vote in favour of each of the Resolutions.

BY ORDER OF THE BOARD

K P Halpenny
Company Secretary
1 June 2020

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31 Victoria Street
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thomasmiller.com