Matheson & Co., Limited
Company Registration Number: 100295

Report of the Directors and Financial Statements for the year ended 31 December 2018

Matheson & Co., Limited

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Matheson & Co., Limited

Directors

Matheson & Co., Limited

Present directors

Adam Keswick (Chairman)
M G Barrow CBE
R J O Barton
J J G Brown
A P Hawkins
M S Henderson
Sir Henry Keswick
Simon Keswick
Lord Powell of Bayswater KCMG
N M S Rich CBE
Lord Sassoon, Kt
E P K Weatherall
G L White

Company Secretary

A P Hawkins

Registered Office

3 Lombard Street
London
EC3V 9AQ

Matheson & Co., Limited

Report of the Directors

The directors present their Report of the Directors and the audited financial statements for the year ended 31 December 2018 in respect of Matheson & Co., Limited (the 'company').

Principal activity

The main activity of the company is the provision of advisory services to the Jardine Matheson Group and affiliated companies.

Directors

The directors set out on page 1 served throughout the year and up to the date of signing the financial statements unless otherwise stated.

Strategic Review

The company will continue to provide advisory services to the Jardine Matheson Group and affiliated companies.

The company's loss on ordinary activities before taxation amounted to £180,000 for the year ended 31 December 2018 (2017: £556,000). The principal risks and uncertainties facing the company relate to changes in market interest rates and their associated impact on interest income together with the wider macroeconomic risks impacting the assets and liabilities within the defined benefit pension scheme. The directors do not recommend the payment of a final dividend (2017: £Nil). Given the nature of the business, the directors are of the opinion that analysis using key performance indicators is not necessary or appropriate to understand the development, performance or position of the business. The company is a subsidiary undertaking within the Jardine Matheson Group and from a financial risk management perspective, cash funds of the Group are managed at Group level. Further information can be obtained from the year-end financial statements of Jardine Matheson Holdings Limited. Refer to note 20 for details of ultimate holding company and parent undertaking.

Employees

Details of the company's employees are provided in note 7. The company's employment policies do not discriminate between employees or potential employees on the grounds of age, sex, sexual orientation, colour, creed, ethnic origin or religious belief.

It is the company's policy to give full and fair consideration to the employment needs of disabled persons (and persons who become disabled whilst employed by the company) where the requirements of the job may be adequately covered by these persons and to comply with any current legislation with regard to disabled persons.

Information about the company and associated group companies' performance and other matters is provided regularly by the Jardine Matheson Group magazine, the "Thistle".

The company operates a group personal pension for current employees and a defined benefit funded pension scheme which is closed to the future accrual of benefits.

Qualifying third party indemnity provisions

Under the respective Articles of Association, the directors of the company are, and were during the year, entitled to be indemnified against liabilities and costs incurred in connection with the execution of their duties or the exercise of the powers, to the extent permitted by the Companies Act 2006.

Policy on payment of trade creditors

The company's policy on payment of trade creditors is to pay in accordance with terms of business agreed with each supplier. The company had trade creditors of £4,000 at 31 December 2018 (31 December 2017: £11,000).

Statement of directors' responsibilities

The directors are responsible for preparing the Report of the Directors and the Financial Statements in accordance with applicable law and regulations.

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

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

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

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

Report of the Directors (continued)

Disclosure of information to auditors

In accordance with Section 418 of the Companies Act 2006, the Report of the Directors shall include a statement, in the case of each director in office at the date the Report of the Directors is approved, that:

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) the directors have taken all the steps that he ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Small companies' provision

This Report has been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006.

Independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

A P Hawkins
Director and Secretary

8 February 2019

Independent auditors' report to the members of Matheson & Co., Limited

Report on the audit of the financial statements

Opinion

In our opinion, Matheson & Co., Limited's financial statements:

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

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

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

Reporting on other information (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Report of the Directors

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Independent auditors' report to the members of Matheson & Co., Limited

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Diane Walmsley

Diane Walmsley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 February 2019

Matheson & Co., Limited

Income Statement for the year ended 31 December 2018

	Note	2018	2017
		£000	£000
Turnover	2	**4,157**	4,122
Administrative expenses	3	**(4,767)**	(4,660)
Operating loss		**(610)**	(538)
Interest receivable and similar income	4	**808**	714
Interest payable and similar expenses	4	**(378)**	(732)
Loss on ordinary activities before taxation	2	**(180)**	(556)
Tax on loss on ordinary activities	5	**-**	-
Loss for the financial year		**(180)**	(556)

All amounts relate to continuing operations.

The notes on pages 11 to 27 form part of these financial statements.

Statement of Comprehensive Income for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Loss for the financial year		**(180)**	(556)
Other comprehensive income/(expense):			
Items that will not be reclassified to profit & loss			
Actuarial (loss)/gain in pension scheme	9	**(2,021)**	12,821
Actuarial gain in medical insurance provision	16	**93**	143
Total comprehensive income for the financial year		**(2,108)**	12,408

Statement of Changes in Equity for the year ended 31 December 2018

	Called up share capital £000	Profit and loss account £000	2018 Total Shareholders' Funds £000	2017 Total Shareholders' Funds £000
At 1 January	**20,000**	**14,094**	**34,094**	21,686
Loss for the financial year	**-**	**(180)**	**(180)**	(556)
Other comprehensive (expense)/income for the financial year	**-**	**(1,928)**	**(1,928)**	12,964
Total At 31 December	**20,000**	**11,986**	**31,986**	34,094

The notes on pages 11 to 27 form part of these financial statements.

Matheson & Co., Limited

Balance Sheet as at 31 December 2018

Company Number: 100295

	Note	31.12.2018		31.12. 2017	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10		**272**		249
Investments	11		**14**		14
			286		263
Current assets					
Debtors: amounts falling due within one year	13	**7,810**		8,921	
Debtors: amounts falling due after more than one year	14	**40,000**		40,000	
Cash at bank and in hand		**3,450**		2,973	
		51,260		51,894	
Creditors: amounts falling due within one year	15	**(239)**		(211)	
Net current assets			**51,021**		51,683
Total assets less current liabilities			**51,307**		51,946
Provisions for liabilities	16		**(1,202)**		(1,332)
Net assets			**50,105**		50,614
Pension liability	9		**(18,119)**		(16,520)
			31,986		34,094
Capital and reserves					
Called up share capital	17		**20,000**		20,000
Profit and loss account			**11,986**		14,094
Total Shareholders' funds			**31,986**		34,094

The financial statements on pages 8 to 27 were approved by the Board of Directors on 8 February 2019 and signed on its behalf by:

A P Hawkins
Director

1. Accounting policies

The principal accounting policies which the directors have adopted consistently throughout the year are set out below.

Basis of preparation

These financial statements have been prepared on the going concern basis under the historical costs convention and in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The company is a qualifying entity for the purposes of FRS 101. Note 20 gives details of the company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The disclosure exemptions adopted by the company in accordance with FRS 101 are as follows:

- The requirements of IFRS 7 Financial Instruments: Disclosures per FRS 101 (paragraph 8(d))

- The requirements of IAS 7 Statement of Cash Flows per FRS 101 (paragraph 8(h))

- The requirements in IAS 24 Related Party Disclosures per FRS 101 (paragraph 8(j), 8(k))

- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).

- The requirements of paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:

  (i) Paragraph 79(a)(iv) of IAS 1;
  (ii) Paragraph 73(e) of IAS 16 'Property, plant and equipment';

- The requirements of the following paragraphs of IAS 1, 'Presentation of financial statements':

  (i) 16 (statement of compliance with all IFRS);
  (ii) 134-136 (capital management disclosure).

The company is a wholly owned subsidiary of Matheson Investments Limited and is included in the consolidated financial statements of Jardine Matheson Holdings Limited which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of Section 401 of the Companies Act 2006.

Cash flow statement

Jardine Matheson Holdings Limited, the ultimate parent undertaking, publishes a consolidated cash flow statement, which includes the cash flows of the company. The company has therefore taken advantage of the exemption granted by Financial Reporting Standard 101 – 'Reduced Disclosure Framework', to not present a cash flow statement.

1. Accounting policies (continued)

New standards, amendments and IFRIC interpretations

IFRS 9 and IFRS 15 are new accounting standards that are effective for the year ended 31 December 2018 and have no material impact on the company.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below.

Post-employment benefits

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the defined benefit obligations and net pension costs include the expected long-term rate of return on the relevant scheme assets and the discount rate. The assumptions have also taken into account the impact of GMP equalisation which is recognised in the Income Statement. Any changes in these assumptions may impact the amounts disclosed in the company's balance sheet and income statement.

The company determines the appropriate discount rate at the end of each year. This is the interest rate used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit obligations. In determining the appropriate discount rate, the company considers the market yields of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity consistent with the estimated average term of the related pension liability. Other key assumptions for defined benefit obligations and pension costs are based in part on market conditions at the relevant year-ends and additional information is disclosed in note 9.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reasonable estimate can be made of the amount of the obligation. If such an obligation is not capable of being reliably estimated or the outflow of resources is possible rather than probable, no provision is recognised and the item is disclosed as a contingent liability where material.

Foreign currency

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date with the exchange differences dealt with through the profit and loss account.

1. **Accounting polices (continued)**

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated so as to write off the assets over their estimated useful lives on a straight line basis at the following rates:

Leasehold improvements:	either	20% or over the life of the lease if shorter.
Computer equipment and software:		25%
Furniture:		20%
Equipment and motor vehicles:		25%

Turnover

Turnover represents management services provided to other group companies and is recognised at the "point in time" in the accounting period based on the relevant costs incurred for the services. Turnover is stated exclusive of VAT.

Taxation

Taxation is that chargeable on profits of the year, together with deferred taxation.

The current taxation charge is calculated on the basis of taxation laws enacted or substantially enacted at the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Pensions and other post-retirement benefits

The company operates a defined benefit funded pension scheme which closed to new members in 2002 and also closed to the future accrual of benefits as from 30 November 2009. Actuarial valuations are carried out every three years or at such shorter periods as the trustees from time to time deem appropriate; where necessary these valuations are updated to 31 December each year by independent professionally qualified actuaries. For the purpose of these annual updates, scheme assets are included at market value and scheme liabilities are measured on an actuarial basis using the projected unit method; these liabilities are discounted at the current rate of return on an AA corporate bond of equivalent currency and term. The current service cost and any past service costs are included in the income statement within operating expenses and the expected return on the scheme's assets, net of the impact of the unwinding of the discount on scheme liabilities, is included within net interest cost. Actuarial gains and losses, including differences between the expected and actual return on scheme assets, are recognised in the Statement of Comprehensive Income.

The company's contributions in respect of the defined contribution scheme are charged to the Income

Statement in the year to which they relate.

1. **Accounting policies (continued)**

Pension and other post-retirement benefits (continued)

The company also operates a post-retirement medical insurance scheme for certain pensioners and former employees. The costs of the scheme have been assessed in accordance with the advice of independent professionally qualified actuaries and full provision for costs has been made in these financial statements.

Leased assets

Rental payments under operating leases are charged to the income statement account on a straight line basis over the lease term.

Investments and investment income

Investments in subsidiary undertakings are stated at cost less provision for impairment. Any impairment is recognised in the income statement in the period in which it arises, when, in the opinion of the directors there has been a permanent diminution in value.

2. **Segmental analysis**

	Turnover		**Loss on ordinary activities before taxation**	
	2018 £000	2017 £000	**2018 £000**	2017 £000
By class of business				
Support services to group and affiliated companies	**4,157**	4,122	**(180)**	(556)
By geographical market (by origin)				
United Kingdom	**4,157**	4,122	**(180)**	(556)

3. Administrative expenses

	2018	2017
	£000	£000
Staff costs (note 7)	3,108	2,924
Depreciation of owned assets	111	130
Operating lease rentals	250	250
Other operating costs (net)	1,198	1,356
Pension-past service cost	100	-
	4,767	4,660

Services provided by the company's auditors and network firms

	2018	2017
	£000	£000
Audit fees for the company	25	25
Audit related assurance services:		
- Audit of pension scheme	14	14
Services relating to taxation compliance	24	18
	63	57

4. Interest receivable/(payable) and similar income/(charges)

	2018	2017
	£000	£000
Interest receivable and similar income		
Short term deposits	9	6
Amount received from Jardine Matheson Group undertakings	799	708
Interest income	808	714
Interest payable and similar charge		
Pension interest (note 9)	(378)	(732)
Interest expense	(378)	(732)

5. Tax on loss on ordinary activities

There was no charge for taxation on the loss on ordinary activities before taxation for the year (2017: £Nil).
The tax assessed for both years differs from the effective standard rate of corporation tax in the UK and the differences are explained below:

	2018	2017
	£000	£000
Loss on ordinary activities before taxation	**(180)**	(556)
Expected tax at 19.00% (2017: 19.25%)	**(34)**	(107)
Effects of:		
Expenses not deductible	**1**	10
Tax losses arising in the year not recognised	**113**	194
Other temporary differences not utilised	**(80)**	(97)
Total tax charge	**-**	-

No provision has been made for deferred tax assets as, in the opinion of the directors, accumulated taxable losses will more than cover any future tax liabilities. It is company policy not to record deferred tax assets in respect of accumulated taxable losses unless their recovery is probable in the short term. The amounts of unrecognised deferred tax assets are as follows:

	Losses	Pension deficit	Provisions and other temporary differences	Total
	£000	**£000**	**£000**	**£000**
Unrecognised deferred tax assets				
As at 31 December 2018	**2,089**	**3,080**	**199**	**5,368**
As at 31 December 2017	2,370	2,808	216	5,394

The unrecognised deferred tax assets were calculated at 17% corporation tax rate. Changes to the UK corporation tax rate were announced in the 2016 Budget, including reductions to the UK main corporation tax rate from 18% to 17% from April 2020. Any items noted above have no expiry date.

6. Dividends

The company does not propose a final dividend for the year ended 31 December 2018 (2017: £Nil) and did not pay an interim dividend (2017: £Nil).

7. **Employees**

The monthly average number of employees of the group was 27 (2017: 25)

The costs incurred in respect of these employees were:

	2018	2017
	£000	£000
Wages and salaries	**2,369**	2,241
Social security costs	**347**	318
Other pension costs : - Defined contribution scheme	**162**	144
Medical care costs	**29**	35
Other staff costs	**201**	186
	3,108	2,924

8. **Directors' emoluments**

Staff costs include remuneration in respect of directors as follows:

	2018	2017
	£000	£000
Aggregate emoluments	**1,686**	1,644

The company made contributions to a money purchase scheme of £30,000 (2017: £31,000) in respect of two (2017: two) directors.

The highest paid director received remuneration of £464,000 (2017: £452,000) and did not exercise any share options during the year (2017: £Nil). The total pension paid to the highest paid director, who is a pensioner of the Matheson Group Pension Plan, amounted to £311,000 (2017: £297,000).

9. **Pension liability**

a) **Pension costs**

The company operates a defined benefit funded pension which closed to new members in 2002 and also closed to the future accrual of benefits as from 30 November 2009. The pension charge is assessed in accordance with the advice of independent professionally qualified actuaries on the basis of a triennial valuation using the projected unit method of valuation. The latest valuation was at 30 June 2017 and the main assumptions were:

Discount rate for valuing future liabilities	3.25%
Expected annual rate of return on investments:	
- Bond investments	1.70%
- Equity investments	5.40%
Annual rate of increase in pension payments:	
- for pre July 1999 service	5.00%
- for post July 1999 service	3.10%

9. Pension liability (continued)

a) Pension costs (continued)

The last formal valuation of the company's pension scheme was undertaken as at 30 June 2017. This scheme valuation was updated to 31 December 2018 by the scheme's independent professionally qualified actuaries.

The major assumptions used in the FRS 101 valuations at 31 December 2018 and 2017 were as follows:

	31.12.2018	31.12.2017
Discount rate	**2.60%**	2.35%
Price inflation – RPI based	**3.55%**	3.40%
Price inflation – CPI based (deferred valuation only)	**2.75%**	2.60%
Mortality improvements	**SAPS S2 Light base table with CMI 2016 improvements, 1.5% pa long term trend**	SAPS S2 Light base table with CMI 2016 improvements, 1.5% pa long term trend
Post retirement increases on:		
pre July 1999 service	**5.00%**	5.00%
post July 1999 service	**3.20%**	3.10%

The assets in the scheme were:

	Value at 31.12.2018 £000	Value at 31.12.2017 £000
Equities and diversified growth funds	**49,598**	55,424
Bonds	**34,108**	34,407
Cash	**509**	1,856
Total market value of scheme assets	**84,215**	91,687
Present value of scheme liabilities	**(102,334)**	(108,207)
Scheme deficit	**(18,119)**	(16,520)
Related deferred tax asset	**-**	-
Net pension liability	**(18,119)**	(16,520)

No account has been taken of the related deferred tax asset on the basis that its recovery is uncertain.

9. ***Pension liability (continued)***

a) Pension costs (continued)

	31.12.2018 £000	31.12.2017 £000
Operating income		
Past service cost	**(100)**	-
Total operating income	**(100)**	-
Pension interest expense		
Interest on pension scheme assets	**2,102**	2,143
Interest on pension scheme liabilities	**(2,480)**	(2,875)
Net pension interest expense	**(378)**	(732)
Statement of Comprehensive Income		
Actual returns less expected returns on scheme assets	**(5,123)**	5,523
Experience gains arising on the scheme liabilities	**-**	4,885
Change in assumptions underlying the present value of the scheme liabilities	**3,102**	2,413
Actuarial (loss)/gain recognised in the statement of comprehensive income	**(2,021)**	12,821
Change in Plan Liabilities during the year		
Liabilities in Plan at beginning of the year	**(108,207)**	(117,350)
Past service cost	**(100)**	-
Interest cost	**(2,480)**	(2,875)
Actuarial gain	**3,102**	7,298
Gross benefits paid	**5,351**	4,720
Liabilities in Plan at end of year	**(102,334)**	(108,207)
Change in Plan Assets during the year		
Assets in Plan at beginning of the year	**91,687**	87,421
Employers' contributions	**900**	1,320
Actuarial (loss)/gain	**(5,123)**	5,523
Gross benefits paid	**(5,351)**	(4,720)
Interest Income	**2,102**	2,143
Assets in Plan at end of year	**84,215**	91,687

9. Pension liability (continued)

a) Pension costs (continued)

Significant Actuarial Assumptions at 31 December 2018

The sensitivity of the defined benefit obligation at the end of the year to changes in the weighted principal assumptions are as follows:

Impact on Projected Benefit Obligation (PBO)

	Change in Assumption	Increase in Assumption	Effect on PBO
Discount Rate	3.10%	0.50% increase	6.6% decrease
Discount Rate	2.10%	0.50% decrease	7.4% increase
RPI Inflation Assumptions	3.80%	0.25% increase	0.5% increase
RPI Inflation Assumptions	3.30%	0.25% decrease	0.5% decrease
Life expectancy	Increase of 1 year in expected lifetime of Plan participants		5.7% increase
	Decrease of 1 year in expected lifetime of Plan participants		5.7% decrease

The following table sets out the life expectancies under the assumed post-retirement mortality tables and mortality improvements stated above.

	2018	2017
Retiring at age 60 at the end of the reporting year		
- Male	**88.3**	88.2
- Female	**89.3**	89.2
Retiring at age 60, 20 years after the end of the reporting year		
- Male	**90.0**	89.9
- Female	**91.1**	91.0

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 60.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting year) has been applied as when calculating the pension liability recognised within the statement of financial position.

Asset volatility

The Matheson Group Pension Plan ('Plan') liabilities are calculated using a discount rate set with reference to corporate bond yields; if Plan assets underperform this yield, this will create a deficit. The Plan holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.

9. **Pension liability (continued)**

a) Pension costs (continued)

The allocation of the investments has not changed during the year and is as follows:

30% Equities

30% Diversified Growth Funds

40% High Quality Corporate Bonds & Gilts

Of the assets held in bonds, 20% will normally be held in corporate bonds and 20% in Government bonds. The target rate of return for fixed interest securities is in line with the appropriate iBoxx index.

The company believes that, due to the long-term nature of the plan liabilities and the undertaking by Jardine Matheson Group to provide a financial undertaking to the Trustees of the Plan to make sufficient funds available should the company not meet its financial obligations, the current level of investment is appropriate to the company's long term strategy to manage the Plan efficiently.

Changes in bond yields – a decrease in corporate bond yields will increase plan liabilities, although this will be partly offset by an increase in the value of the plan's bond holdings.

Inflation risk

The Plan's Statement of Funding Principles states that "the assumption for future RPI price inflation will be set with reference to the rates of inflation implied by the yields on index-linked and corresponding conventional sterling bonds".

The market-implied rate of inflation as at 31 December 2017 was 3.55% (3.40% as at 31 December 2017).

Pension increases in deferment (and pension increases in payment on post 1988 GMP) are determined with reference to CPI. CPI is assumed to be 80 basis points lower than assumed RPI.

It is the Trustees' policy that single investments should not represent a significant proportion of the Plan's assets. The investments held by the Plan are considered to be readily marketable.

Life expectancy

Obligations of the Plan are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans liabilities. Inflationary increases in the UK result in higher sensitivity to changes in life expectancy.

9. Pension liability (continued)

a) Pension costs (continued)

The company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. 60% of the assets in 2018 consisted of equities (investments directly in equities and diversified growth funds) and the remaining percentage was invested in bonds and gilts.

The company believes that equities offer the best returns over the long term with an acceptable level of risk and will continue with this investment plan for the foreseeable future.

The expected contributions to the pension plan for the year ending 31 December 2019 are £0.9m.

The weighted average duration of the defined benefit obligation is 14 years.

The expected maturity analysis of undiscounted pension and post-employment medical benefits are as follows:

At 31 December 2018	Less than 1 year £000	Between 1-2 years £000	Between 2-5 years £000	Over 5 years £000	Total £000
Pension benefits	4,504	4,654	14,913	93,374	117,445
Post-employment medical benefits	29	63	199	1,247	1,538
Total	4,533	4,717	15,112	94,621	118,983

b) Medical insurance

The company operates an unfunded medical insurance scheme for certain pensioners and former employees. *Full provision has been made for the cost of this scheme in accordance with the* advice of independent professionally qualified actuaries. The main assumptions used were:

	31.12.2018	31.12.2017
Discount rate	**2.60%**	2.35%
Medical cost inflation	**6.55%**	6.40%
Age related increases	**3.00%** For each year of age (up to age 90)	3.00% For each year of age (up to age 90)

The service cost included in operating costs amounted to £Nil (2017: £Nil). As at 31 December 2018 the provision required to meet the liabilities of the scheme is £1,170,000 (2017: £1,268,000) *and has been fully provided in note 16.*

10. Tangible assets

	Leasehold improvements £000	Computer equipment and software £000	Furniture equipment and motor vehicles £000	Total £000
Cost				
At 1 January 2018	486	97	436	1,019
Additions	33	23	92	148
Disposals	-	(6)	(132)	(138)
At 31 December 2018	519	114	396	1,029
Accumulated depreciation				
At 1 January 2018	484	41	245	770
Charge for the year	2	25	84	111
Disposals	-	(6)	(118)	(124)
At 31 December 2018	486	60	211	757
Net book amount				
At 31 December 2018	33	54	185	272
At 31 December 2017	2	56	191	249

11. Investments

	31.12.2018	31.12.2017
	£000	£000
Other investments	14	14
	14	14

The other investment relates to an equity investment in LVMH Moet Hennessy Louis Vuitton.

12. Subsidiary undertakings

	Shares £000	Loans £000	Total £000
Cost			
At 1 January 2018	4,530	18,624	23,154
Strike off approved	(4,530)	(18,624)	(23,154)
At 31 December 2018	-	-	-
Provisions			
At 1 January 2018	4,530	18,624	23,154
Strike off approved	(4,530)	(18,624)	(23,154)
At 31 December 2018	-	-	-
Net book amount			
At 31 December 2018 and at 31 December 2017	-	-	-

The directors believe that the carrying value of the investments is supported by their underlying net asset values.

On 27 July 2018, the subsidiary, Neighbourhood Stores (Holdings) Limited had no material assets or liabilities and the sole shareholder approved by Ordinary Resolution to request the Registrar of Companies to remove its subsidiary from the register of companies, pursuant to section 1003 of the Companies Act 2006. The subsidiary was formally dissolved on 15 January 2019.

The company holds no other investments

13. Debtors: amounts falling due within one year

	31.12.2018	31.12.2017
	£000	£000
Amounts owed by Jardine Matheson Group subsidiary undertakings	**14**	284
Unsecured loans to Jardine Matheson Group subsidiary undertakings	**7,500**	8,500
Other debtors and prepayments	**296**	137
	7,810	8,921

An unsecured loan of £7.5m (2017: £8.5m) to a fellow subsidiary undertaking bears interest at 0.65% (2017: 0.65%) over LIBOR and is repayable on demand.

14. Debtors: amounts falling due after more than one year

	31.12.2018	31:12.2017
	£000	£000
Unsecured loan to Jardine Matheson Group subsidiary undertaking	**40,000**	40,000

An unsecured loan of £40m (2017: £40m) to a fellow subsidiary undertaking bears interest at 1.0% (2017:1.0%) over 6 month LIBOR and is repayable on 13 May 2022.

15. Creditors: amounts falling due within one year

	31.12.2018	31.12.2017
	£000	£000
Trade creditors	**4**	11
Other taxation and social security	**124**	99
Other creditors, accruals and deferred income	**111**	101
	239	211

16. Provisions for liabilities

	Medical Insurance £000	Others £000	Total £000
At 1 January 2018	1,268	64	1,332
Utilisation	(34)	(32)	(66)
Interest cost	29	-	29
Actuarial gain	(93)	-	(93)
At 31 December 2018	**1,170**	**32**	**1,202**

The company operates an unfunded medical insurance scheme for certain pensioners and former employees.

17. Called up share capital

	31.12.2018 £000	31.12.2017 £000
Authorised:		
20,000,000 (2016: 20,000,000) ordinary shares of £1 each	**20,000**	20,000
Allotted and fully paid:		
20,000,000 (2016: 20,000,000) ordinary shares of £1 each	**20,000**	20,000

18. Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings	
	31.12.2018	31.12.2017
	£000	£000
No later than 1 year	**283**	282
Later than 1 year and no later than 5 years	-	283
	283	565

19. Related party transactions

As a wholly owned subsidiary of Jardine Matheson Holdings Limited, the company has taken advantage of the exemption contained within FRS 101 (paragraph 8k) not to disclose related party transactions with other wholly owned members of the Jardine Matheson Group.

The company received fees of £127,500 (2017: £120,000) from Jardine Lloyd Thompson in respect of services provided by directors. The company also paid £199,000 (2017: £202,000) to Jardine Lloyd Thompson in respect of consulting fees and insurance premiums. At 31 December 2018 the company had a net amount of £39,000 (2017: £36,000) receivable from Jardine Lloyd Thompson.

20. Ultimate holding company and parent undertaking

The company is a private limited company, incorporated in United Kingdom and domiciled in the UK. The registered office address is 3 Lombard Street, London EC3V 9AQ.

The company is owned by Matheson Investments Limited, a company incorporated in the British Virgin Islands. The ultimate parent company and controlling party is Jardine Matheson Holdings Limited, a company incorporated in Bermuda.

The largest and smallest group for which group financial statements are prepared, and of which the company is a member, is Jardine Matheson Holdings Limited. Copies of the financial statements of this group can be obtained from Matheson & Co., Limited at the registered office address given above.