FITCH RATINGS LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018

Registered number: 01316230

CONTENTS

DIRECTORS AND ADVISERS

Directors	S Handa IC Linnell D Netter DL Samuel
Company Secretary	BA Legorburu
Registered Office	30 North Colonnade London E14 5GN
Bankers	HSBC Bank plc City Corporate Banking Centre 60 Queen Victoria Street London EC4N 4TR
Independent Auditor	Deloitte LLP 2 New Street Square London EC4A 3BZ

REPORT OF THE DIRECTORS
For the year ended 31 December 2018

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements of Fitch Ratings Ltd ("the Company" or "Parent") and its subsidiaries ("the Group") for the year ended 31 December 2018. This annual report and financial statements are prepared under International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU").

A review of the business including future developments and risks and uncertainties is set out in the Strategic Report (page 5).

General information

The Company is a private company limited by shares incorporated and domiciled in England and Wales. The address of its registered office is 30 North Colonnade, London E14 5GN. The Company's immediate parent undertaking is Fitch Ratings, Inc. which is incorporated in the United States of America. Fitch Group, Inc., incorporated in the United States of America, is the parent company of the smallest group of undertakings to consolidate these financial statements. The financial statements of Fitch Group, Inc. are available from its registered office at 33 Whitehall Street, New York, NY 10004. The Hearst Corporation is the ultimate parent undertaking and is the parent company of the largest group of undertakings to consolidate these financial statements.

Directors

The names of the directors who served during the year and up to the date of signing the financial statements are given below:

S Handa
IC Linnell
D Netter
DL Samuel

Directors' indemnities

The Articles of Association of the Company sets out the terms under which directors and officers are indemnified by the Company in the execution of their duties.

Employees

The Group places considerable value on the contribution of its employees and has continued during the year to encourage employee involvement in Group companies. Ongoing training programmes seek to ensure that staff build on their skills and capabilities. The Group has increased its investment in the development of analytical skills through its Fitch Credit Academy. Internal communications are designed to ensure that all employees are informed about the business and development of the Group. These include regular briefing meetings and the use of e-mail and the Group's intranet site. Applications for employment by disabled persons have always been and continue to be fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability. Employee involvement in the Group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Group plays a major role in maintaining its success.

Going concern

The consideration of going concern is detailed in note 2.2.

Dividends

Dividends of £360.4m (2017: £nil) were paid in the year.

Branches outside the UK

Branches held by the Company and its subsidiary undertakings are included in note 30.

Political contributions

No political contributions were made in the year (2017: £nil).

Auditor

Each of the persons who is a director of the Company at the time when this annual report is approved, confirms as follows:

- so far as the director is aware, there is no relevant information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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 S418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor.

Approved by the Board and signed on its behalf by:

DL Samuel
Director
28 March 2019

STRATEGIC REPORT
For the year ended 31 December 2018

Principal activities

The principal activity of Fitch Ratings Ltd and its subsidiaries is the provision of ratings, research, modelling and data subscription services in Europe, Middle East, Africa, Asia, Australasia and Latin America. In January 2018 the Group completed the sale of its 49% holding in China Lianhe Credit Rating Co. Ltd resulting in a profit before tax of £61.3m after deducting legal and other transactional expenses. During 2018 the Group incorporated a new subsidiary in China, Fitch (China) Bohua Credit Ratings Ltd, to service the onshore bond market. A list of subsidiaries, and branches at 31 December 2018 is provided in note 30 to these financial statements and details of joint ventures, associated undertakings and investments at 31 December 2018 is provided in notes 14 to 16 to these financial statements.

Review of business

Group revenue for the year ended 31 December 2018 grew by over 8.7%, reflecting 6.9% growth in debt security issuance and an 9.9% growth in recurring revenue. The Group profit for the year ended 31 December 2018 on ordinary activities before taxation was £282.7m (2017: £197.4m), including £61.3m profit on sale of China Lianhe Credit Rating Co. Ltd. After charging taxation of £56.7m (2017: £45.0m) profit for the financial year was £226.0m (2017: £152.4m). Total Group assets were £1,004.7m (2017: £986.7m) and total Group liabilities were £397.5m (2017: £240.2m) at 31 December 2018. Results remain satisfactory and the directors do not expect any significant deterioration in the Group results in the short to medium term.

Regulation of credit rating agencies was introduced in the EU with the entering into force of Regulation (EC) No, 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. This Regulation was subsequently amended by Regulation (EU) No. 513/2011 of the European Parliament and of the Council of 11 May 2011 and by Regulation (EU) No. 462/2013 of the European Parliament and of the Council of 21 May 2013. The Company was registered under the EU Regulation on 31 October 2011 along with all of its EU-based subsidiaries. Outside of the EU, the Company's subsidiaries continued to obtain and maintain all necessary licences and registrations in the face of changing regulatory requirements.

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. The principal operating risks are changes in the volume of debt securities issued and other volatility in financial markets, competition and retention of key employees. Other operational risks include regulatory changes and any resulting implications for the Group from the UK's prospective withdrawal from the EU, the effects of which are uncertain.

The financial risks facing the business are outlined in note 3 to the financial statements.

Future outlook

The Group intends to continue in the future to provide ratings, research, modelling and data subscription services in Europe, Middle East, Africa, Asia, Australasia and Latin America.

Key performance indicators

The Group's key performance indicators are revenue growth, profit growth and changes in employee numbers, as set out in the consolidated income statement and note 9 to the financial statements.

Approved by the Board and signed on its behalf by:

DL Samuel
Director
28 March 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES
For the year ended 31 December 2018

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Company financial statements in accordance with IFRSs as adopted by the EU. 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 Group and the Company and of the profit or loss of the Group for that year.

In preparing these financial statements the directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern

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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the International Accounting Standards (IAS) Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 2018 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 and IFRSs as issued by the International Accounting Standards Board ("IASB");
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Fitch Ratings 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 statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company statement of cash flows;
- the statement of accounting policies; and
- the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 ("FRC") 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 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the 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.

William Touche (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
London, United Kingdom
28 March 2019

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2018

	Note	2018 £000	2017 £000
Continuing operations			
Revenue	6	529,803	487,401
Other income	7	174	181
Operating expenses	8	(322,534)	(310,622)
Operating profit		207,443	176,960
Gain on disposal of joint venture	15	61,336	-
Share of profits of joint ventures and associates	15, 16	1,281	8,231
Finance income	10	12,949	12,404
Finance costs	10	(338)	(229)
Profit before tax		282,671	197,366
Tax expense	11	(56,682)	(45,007)
Profit for the year		225,989	152,359
Profit attributable to:			
Owners of the Parent		218,892	145,587
Non-controlling interest		7,097	6,772
		225,989	152,359

The notes on pages 16 to 50 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Note	2018 £000	2017 £000
Profit for the year		225,989	152,359
Other comprehensive income:			
Items to be subsequently reclassified in profit and loss:			
Change in value of other financial assets	17	905	569
Adoption of IFRS 15	2.3(b)	(237)	-
Currency translation differences		2,824	(634)
		3,492	(65)
Total comprehensive income for the year		229,481	152,294
Attributable to:			
Owners of the Parent		222,599	144,691
Non-controlling interest		6,882	7,603
Total comprehensive income for the year		229,481	152,294

Items in the statement above are disclosed net of tax. The tax credit or expense relating to each component of other comprehensive income is disclosed in note 11.

The notes on pages 16 to 50 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2018

	Note	2018 £000	2017 £000
Assets:			
Non-current assets			
Property, plant and equipment	12	17,292	15,121
Intangible assets	13	9,042	9,432
Investment in joint venture	15	-	17,025
Investment in associates	16	2,075	1,905
Deferred tax assets	23	14,645	14,329
Other financial assets	17	6,672	5,421
Trade and other receivables	18	207,575	208,963
		257,301	272,196
Current assets			
Trade and other receivables	18	167,618	148,652
Other financial assets	17	58,024	58,249
Current tax assets		1,488	5,758
Cash and cash equivalents	19	378,659	501,820
		605,789	714,479
Total assets		863,090	986,675
Equity and liabilities:			
Capital and reserves			
Issued capital	20	90	90
Share premium	20	1,876	1,876
Other reserves	21	16,446	12,503
Retained earnings		559,899	704,326
		578,311	718,795
Non-controlling interests		28,925	27,729
Total equity		607,236	746,524
Liabilities			
Non-current liabilities			
Trade and other payables	22	7,114	6,226
Deferred tax liabilities	23	7,747	6,478
Provisions	24	7,736	7,733
		22,597	20,437
Current liabilities			
Trade and other payables	22	217,237	198,306
Current tax liabilities		13,953	20,624
Provisions	24	2,067	784
		233,257	219,714
Total liabilities		255,854	240,151
Total equity and liabilities		863,090	986,675

The notes on pages 16 to 50 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 9 to 50 were authorised for issue by the board of directors on 28 March 2019 and were signed on its behalf.

DL Samuel
Director
Fitch Ratings Ltd
Registered no. 01316230

COMPANY STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2018

	Note	2018 £000	2017 £000
Assets:			
Non-current assets			
Property, plant and equipment	12	7,326	7,087
Investment in subsidiaries	14	75,084	73,465
Investment in joint venture	15	-	8,486
Investment in associates	16	495	495
Deferred tax assets	23	3,684	4,107
Other financial assets	17	100	100
Trade and other receivables	18	199,471	200,471
		286,160	294,211
Current assets			
Trade and other receivables	18	92,325	63,001
Cash and cash equivalents	19	300,408	431,443
		392,733	494,444
Total assets		678,893	788,655
Equity and liabilities:			
Capital and reserves			
Issued capital	20	90	90
Share premium	20	1,876	1,876
Other reserves		(187)	(153)
Retained earnings		452,154	605,055
Total equity		453,933	606,868
Liabilities			
Non-current liabilities			
Trade and other payables	22	1,109	950
Deferred tax liabilities	23	4,234	3,693
Provisions	24	5,909	6,388
		11,252	11,031
Current liabilities			
Trade and other payables	22	210,099	165,906
Current tax liabilities		2,723	4,414
Provisions	24	886	436
		213,708	170,756
Total liabilities		224,960	181,787
Total equity and liabilities		678,893	788,655

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Parent Company income statement.

The profit for the Parent Company for the year was £207.5m (2017: £136.5m) and revenue for the Parent Company for the year was £130.0m (2017: £115.6m).

The notes on pages 16 to 50 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 9 to 50 were authorised for issue by the board of directors on 28 March 2019 and were signed on its behalf.

DL Samuel
Director
Fitch Ratings Ltd
Registered no. 01316230

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

		Attributable to owners of the Parent							
	Note	Ordinary Shares	Share Premium	Currency Translation Reserve	Revaluation Reserve	Retained Earnings	Total	Non-controlling Interest	Total Equity
		£000	£000	£000		£000	£000	£000	£000
Balance at 31 December 2016	20, 21	90	1,876	12,302	1,097	558,739	574,104	25,900	600,004
Profit for the year		-	-	-		145,587	145,587	6,772	152,359
Other comprehensive income:									
Change in value of available-for-sale financial assets	21	-	-	-	569	-	569	-	569
Currency translation differences	21	-	-	(1,465)	-	-	(1,465)	831	(634)
		-	-	(1,465)	569	-	(896)	831	(65)
Total comprehensive income for the year		-	-	(1,465)	569	145,587	144,691	7,603	152,294
Dividends		-	-	-	-	-	-	(5,774)	(5,774)
Total contributions by and distributions to owners of the Parent, recognised directly in equity		-	-	-	-	-	-	(5,774)	(5,774)
Balance at 31 December 2017	20, 21	90	1,876	10,837	1,666	704,326	718,795	27,729	746,524
Profit for the year		-	-	-	-	218,892	218,892	7,097	225,989
Other comprehensive income:									
Change in value of other financial assets	21	-	-	-	905	-	905	-	905
Adoption of IFRS 15		-	-	-	-	(237)	(237)	-	(237)
Currency translation differences	21	-	-	3,038	-	-	3,038	(215)	2,823
		-	-	3,038	905	(237)	3,706	(215)	3,491
Total comprehensive income for the year		-	-	3,038	905	218,655	222,598	6,882	229,480
Dividends		-	-	-	-	(360,392)	(360,392)	(4,783)	(365,175)
Total contributions by and distributions to owners of the Parent, recognised directly in equity		-	-	-	-	(360,392)	(360,392)	(4,783)	(365,175)
Purchase of Non-Controlling Interest		-	-	-	-	(2,690)	(2,690)	(903)	(3,593)
Total transactions with owners of the Parent, recognised directly in equity		-	-	-	-	(2,690)	(2,690)	(903)	(3,593)
Balance at 31 December 2018	20, 21	90	1,876	13,875	2,571	559,899	578,311	28,925	607,236

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Note	Ordinary Shares £000	Share Premium £000	Currency Translation Reserve £000	Retained Earnings £000	Total Equity £000
		Attributable to owners of the Parent				
Balance at 31 December 2016	20	90	1,876	(219)	468,517	470,264
Profit for the year		-	-	-	136,538	136,538
Other comprehensive income:						
Currency translation differences		-	-	66	-	66
		-	-	66	-	66
Total comprehensive income for the year		-	-	66	136,538	136,604
Dividends		-	-	-	-	-
Total contributions by and distributions to owners of the Parent, recognised directly in equity		-	-	-	-	-
Balance at 31 December 2017	20	90	1,876	(153)	605,055	606,868
Profit for the year		-	-	-	207,491	207,491
Other comprehensive income:						
Currency translation differences		-	-	(34)	-	(34)
		-	-	(34)	-	(34)
Total comprehensive income for the year		-	-	(34)	207,491	207,457
Dividends		-	-	-	(360,392)	(360,392)
Total contributions by and distributions to owners of the Parent, recognised directly in equity		-	-	-	(360,392)	(360,392)
Balance at 31 December 2018	20	90	1,876	(187)	452,154	453,933

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Note	Consolidated 2018 £000	Consolidated 2017 £000	Company 2018 £000	Company 2017 £000
Cash flows from operating activities					
Cash generated from operations	25	227,122	175,371	172,130	116,747
Interest paid		(339)	(230)	-	-
Tax paid		(58,393)	(39,508)	(15,710)	(5,079)
Net cash generated from operating activities		168,390	135,633	156,420	111,668
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired		-	-	(1,620)	
Proceeds from sale of joint ventures		78,361	-	78,361	-
Purchases of property, plant and equipment	12	(6,341)	(3,398)	(1,646)	(2,020)
Proceeds from sale of property, plant and equipment		17	13	-	-
Proceeds from sale of other financial assets	17	95,320	96,549	-	-
Purchases of other financial assets	17	(94,067)	(94,994)	-	-
Loan granted to related party		-	(72)	-	-
Repayments of loan by related party	28	1,000	1,887	1,000	1,887
Interest received		1,430	8,718	1,430	8,718
Dividends received		1,178	1,300	-	-
Net cash generated in investing activities		76,898	10,003	77,525	8,585
Cash flows from financing activities					
Acquisition of non-controlling interests		(3,593)	-	-	-
Dividends paid to Company's shareholders		(360,392)	-	(360,392)	-
Dividends paid to non-controlling interests		(4,783)	(5,774)	-	-
Net cash used in financing activities		(368,768)	(5,774)	(360,392)	-
Net (decrease)/ increase in cash and cash equivalents		(123,480)	139,862	(126,447)	120,253
Cash, cash equivalents and bank overdrafts at beginning of year		501,820	364,662	431,443	313,277
Exchange gains on cash and cash equivalents		319	(2,704)	(4,588)	(2,087)
Cash and cash equivalents at end of year		378,659	501,820	300,408	431,443

The notes on pages 16 to 50 are an integral part of these consolidated financial statements.

1. General Information

The Group provides ratings, research, modelling and data subscription services in Europe, Middle East, Africa, Asia, Australasia and Latin America. The Company is a private company limited by shares, incorporated and domiciled in England and Wales. The address of its registered office is 30 North Colonnade, London E14 5GN. The Company's immediate parent undertaking is Fitch Ratings, Inc. which is incorporated in the United States of America. Fitch Group, Inc., incorporated in the United States of America, is the parent company of the smallest group of undertakings to consolidate these financial statements. The financial statements of Fitch Group, Inc. are available from its registered office at 33 Whitehall Street, New York, NY 10004. The Hearst Corporation is the ultimate parent undertaking and is the parent company of the largest group of undertakings to consolidate into these financial statements.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated and company financial statements have been prepared in accordance with IFRS as adopted by the EU, the Companies Act 2006 that applies to companies reporting under IFRS and International Financial Reporting Interpretations Committee ("IFRS IC") interpretations. The Group and Company financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets. The preparation of financial statements in conformity with IFRS requires the use of certain critical 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 4.

2.2 Going Concern

The Group meets its day-to-day working capital requirements through its cash, deposits, marketable securities and the availability of funding through credit facilities. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2.3 *Adoption of new and revised Standards*

From 1 January 2018 the Group and the Company has adopted the following applicable new and amended IFRSs and IFRIC interpretations:

- IFRS 9, "Financial Instruments";
- IFRS 15, "Revenue from contracts with customers";
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle;
- IFRIC Interpretation: "IFRIC 22 Foreign Currency Transactions and Advance Consideration" and
- Clarifications to IFRS 15, "Revenue from contracts with customers".

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods except:

a) IFRS 9 – *Financial Instruments*
IFRS 9 replaced the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies as set out in note 2.9, being the reclassification of an investment from "available for sale" to Fair Value through Other Comprehensive Income ("FVOCI") with no impact on Group's or Company's equity as of 1 January 2018. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

b) IFRS 15 – *Revenue from contracts with customers*
The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in the revised accounting policy as set out in note 2.19. The Group has applied IFRS 15 using the cumulative effect method, hence recognising the cumulative effect of initially applying IFRS 15 as a reduction of £237,000 to the opening balance of equity at 1 January 2018. Therefore, the comparative information has not been restated.

2.3 Adoption of new and revised Standards (continued)

The following standards, amendments and interpretations applicable to the Company are not yet effective and have not been adopted early:

- IFRS 16, "Leases";
- IFRIC 23, "Uncertainty over Income Tax Treatments";
- Amendments to IAS 28, "Long-term interests in Associates and Joint Ventures";
- Annual Improvements to IFRS Standards 2015-2017 Cycle;
- Amendments to IAS 19, "Plan Amendment, Curtailment or Settlement";
- Amendments to References to the Conceptual Framework in IFRS standards;
- Amendments to IFRS 3: Definition of Business and
- Amendments to IAS 1 and IAS 8: Definition of Material.

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group or Company in future periods except IFRS 16. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The Group will adopt the new lease standard effective 1 January 2019 using the modified retrospective approach and, based on preliminary evaluation of the impact of adopting the new lease standard on the consolidated financial statements, the Group will recognise a right of use asset of approximately £51.2m and a lease liability of £56.0m.

2.4 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de facto control. De facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

Goodwill is initially measured and recognised on the statement of financial position as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Gains and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Consolidation (continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, being as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposals of subsidiaries

When the Group ceases to have control of a subsidiary, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

(d) Associates and joint arrangements

The Group's interests in jointly controlled entities are accounted for as joint ventures using the equity method. Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in joint ventures and associates includes goodwill identified on acquisition. If the ownership interest is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in a joint venture or associate equals or exceeds its interest, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture or associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture or associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture or associate and its carrying value and recognises the amount adjacent to "Share of profit/(loss) of joint ventures and associates" in the income statement. Dilution gains and losses arising in investments in joint ventures and associates are recognised in the income statement.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional currency is sterling (£). The consolidated financial statements are presented in sterling (£), which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

2.5 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity, and translated at the year-end closing rate. Exchange differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost for leasehold improvements also includes as appropriate the estimated cost of removal at the end of the lease.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Buildings - the shorter of the period of the lease or estimated useful life
- Leasehold improvements - the shorter of the period of the lease or estimated useful life
- Office equipment - 5 years
- Other - 3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs") or groups of CGUs that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Other intangible assets

Other intangible assets acquired in a business combination such as client lists, licences and intellectual property are recognised at fair value at the acquisition date. They have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 5 to 10 years.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped into CGUs being the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:
- those to be measured at FVOCI, and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For investments in equity instruments that are not held for trading, the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, any transaction costs are included in the measurement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(a) Debt instrument

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There is one measurement category into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

2.9 Financial assets (continued)

(b) Equity instrument

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Accounting policies applied until 31 December 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

Until 31 Dec 2017, the Group classified its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depended on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss were financial assets held for trading. A financial asset was classified in this category if acquired principally for the purpose of selling in the short term. Derivatives were also categorised as held for trading unless they were designated as hedges. Assets in this category were classified as current assets if expected to be settled within 12 months, otherwise they were classified as non-current.

(b) Loans and receivables

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

(c) Available-for-sale financial assets

Available-for-sale financial assets were non-derivatives that were either designated in this category or not classified in any of the other categories. They were included in non-current assets unless the investment matures or management intended to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets were recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments were initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss were initially recognised at fair value and transaction costs were expensed in the income statement. Financial assets were derecognised when the rights to receive cash flows from the investments expired or had been transferred and the Group had transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss were subsequently carried at fair value. Loans and receivables were subsequently carried at amortised cost using the effective interest method. The carrying values for financial assets and liabilities with a maturity of less than one year were assumed to equal approximately their fair values.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category were presented in the income statement within 'Other (losses)/gains – net' in the period in which they arose. Dividend income from financial assets at fair value through profit or loss was recognised in the income statement as part of other income when the Group's right to receive payments was established.

2.9 Financial assets (continued)

Changes in the fair value of monetary and non-monetary securities classified as available for sale were recognised in OCI.

When securities classified as available-for-sale were sold or impaired, the accumulated fair value adjustments recognised in equity were included in the income statement as 'Gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method was recognised in the income statement as part of finance income. Dividends on available-for-sale equity instruments were recognised in the income statement as part of other income when the Group's right to receive payments was established.

2.10 Financial liabilities

The Group initially recognises its financial liabilities at fair value and subsequently they are measured at amortised cost using the effective interest rate method.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Trade receivables

Trade receivables are amounts due from clients for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as 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.

2.13 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Impairment of financial assets

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost.

Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The expected credit losses are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors' general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Accounting policies applied until 31 December 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

2.14 Impairment of financial assets (continued)

(a) Assets carried at amortised cost

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. Evidence of impairment included indications that the debtors or a group of debtors were experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they would enter bankruptcy or other financial reorganisation, and where observable data indicated that there was a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in the income statement. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group measured impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in the income statement.

(b) Assets classified as available-for-sale

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or a group of financial assets was impaired. For debt securities, the Group used the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost would also have been evidence that the assets were impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement, was removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments were not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increased and the increase could be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss was reversed through the income statement.

2.15 Cash and cash equivalents

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

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred 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 tax asset is realised or the deferred tax liability is settled.

2.17 Current and deferred tax (continued)

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Provisions

Provisions are recognised when the Group 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 the amount has been reliably estimated.

2.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services supplied, stated net of discounts, returns and value added taxes ("VAT"). The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met in accordance with IFRS 15, *Revenue from contracts with customers*, for each of the Group's activities, as described below. Revenue is recognised on an accruals basis in respect of services which have been completed and excludes VAT. Revenue attributed to ratings of issued securities is recognised when the rating is issued or when milestones are achieved for which a fee would become due should the issue not proceed. Revenue attributable to monitoring of issuers or issued securities is recognised over the period in which the monitoring is performed. Revenue from subscriptions is recognised over the related subscription period. Amounts billed in advance of providing these products and services are deferred and revenue is recognised when earned.

2.20 Employee benefits

(a) *Pension obligations*

Group companies operate various defined contribution pension schemes, under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Other post-employment obligations*

Some Group companies provide post-employment benefits. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age or the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

(c) *Bonus plans*

Bonus awards are determined annually and are entirely discretionary. The decision to award a bonus is based on a number of factors which include Group financial results, relative employee performance and prospective staff retention. An accrual is made at the end of each financial period to record the amount payable.

2.20 Employee benefits (continued)

(d) Long term incentive plan

Under the Fitch Group, Inc. Long Term Incentive Plan, two types of units are issued to participants: Performance Stock ("PS") and Restricted Stock Units ("RSU"). The PS units vest at the end of a three year period, subject to employees continued service, and are non-transferable. The dollar value per unit to each participant payable after vesting is determined by the percentage growth rate in the adjusted pre-tax income of the Corporation or business units as appropriate over the three year vesting period. The RSUs vest over a three year period with one third vesting in each of the three years, subject to employees continued service, and are non-transferable. The vested portion for each year over the three year vesting period is calculated based on the growth rate in the adjusted pre-tax income of the Corporation or business units as appropriate in the preceding year(s).

2.21 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives received are credited evenly over the period to the earlier of the next break point or the end of the lease.

2.23 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, interest rates, credit risk and liquidity risk. The Group's risk management policies seek to minimise the potential adverse effects on these risks on the Group's financial performance.

(i) *Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, including the transaction risk relating to commercial transactions, recognised assets and liabilities in currencies other than reporting currency and translation risk in respect of the operations and net assets of investments in foreign operations. The Group manages its exposure to risk through utilising its multi-currency facilities and by minimising excess funds held in non-functional currencies.

(ii) *Interest rate risk*

The Group's profit and operating cash flows from cash and cash equivalents and deposits with banks are not significantly affected by changes in market interest rates. No loans are payable to external parties.

3.1 Financial risk factors (continued)

(iii) *Credit risk*

Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of its new clients, taking into account financial position, past experience and other factors, before standard payment and delivery terms and conditions are offered. Credit risk arising from cash and cash equivalents and deposits with banks is limited as the funds are held with leading financial institutions. Credit exposure to third parties, including outstanding receivables, is limited as exposure is spread over a large number of clients and geographical markets. This exposure does not significantly affect the Group's profit and operating cash flows.

(iv) *Liquidity risk*

The Group actively monitors cash, deposits, marketable securities and the availability of funding through either an adequate amount of credit facilities or loans from parent undertakings to ensure the Group has sufficient available funds.

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. Capital is calculated as 'Total equity' as shown in the consolidated statement of financial position.

In order to maintain its capital, the Company will consider the amount of dividends paid to shareholders together with levels of cash, cash equivalents and debt in the Group.

4 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 Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The critical judgement that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is addressed below.

Annual assessment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.7. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates.

The principal carrying value of goodwill is in respect of the Company's holding in Korea Ratings Corporation and, based on management estimates, this carrying value of goodwill has not been impaired. If the projected EBITDA operating margin used in the value-in-use calculation for Korea Ratings Corporation had been reduced by over 75% then the value of goodwill would still not be impaired. In addition, if the estimated cost of capital used in determining the post-tax discount rate for the Korea Ratings Corporation CGU had been in excess of 20% higher than management's estimate of 9.20%, then the Group would have still not be required to recognise an impairment against goodwill.

5 Segment information

IFRS 8 "Operating segments" does not apply to the Company, as its equity or debt instruments are not traded in a public market and it does not issue any class of instruments in a public market. Therefore, the Company is exempt from disclosing the segmental information as set out in IFRS 8.

6 Revenue

Disaggregation of revenue

In accordance with IFRS 15, the Group disaggregates revenue from contracts with customers into geographical regions, and major service lines. The Group determines that disaggregating revenue into these categories achieves the disclosure objective to depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

Management evaluates the performance of these service lines separately to individually monitor different factors affecting financial performance.

The following is a disaggregated summary of the Group's revenue by service line and geographical regions:

	2018	2017
	£000	£000
Europe, Middle East & Africa	214,978	188,388
Asia Pacific	169,540	165,791
Americas	33,825	34,644
Fitch Ratings	418,343	388,823
Europe, Middle East & Africa	99,304	87,493
Asia Pacific	10,433	9,661
Americas	1,723	1,424
Fitch Solutions	111,460	98,578
	529,803	**487,401**

Nature of services and timing of revenue recognition

Fitch Ratings enters into contracts to provide credit ratings and surveillance/monitoring services. A rating is the issuance of relative opinions upon evaluation of the creditworthiness of issuers or the credit quality of an individual debt issue and the likelihood that the issue may default. These opinions are primarily intended to provide investors and market participants with information about the relative credit risk of issuers and individual debt issues that the Group rates. For credit ratings, transaction fees are billed on issuance occurrence, delivery of rating, or on break-up of transaction. Surveillance fees are generally billed annually in advance or arrears and are normally invoiced annually within three months of the maintenance and review period.Transaction revenue is recognised at the point in time when the performance obligation is satisfied by issuing a rating on the customer instrument, customer creditworthiness and when the Group has the right to payment and the customer can benefit from the significant risks and rewards of ownership. For non-transaction revenue related to Rating's surveillance services, the Group continuously monitors factors that impact the creditworthiness of an issuer over the contractual term, with the revenue recognised to the extent that the performance obligation is progressively fulfilled over the term of the contract. Because surveillance services are continuously provided throughout the term of the contract, the measure of progress towards fulfilment of the Group's obligation to monitor a rating is a time-based output measure with revenue recognised ratably over the term of the contract. For one-time surveillance fees or implicit surveillance fees, the average life of the issue is used to amortise the implicit surveillance fee with start date being the closing/service data and the end date being based on the calculated average lives for each product line.

Fitch Solutions subscription services are primarily derived from distribution of data, analytics, third party research, and credit intelligence primarily through Fitch Connect. Subscription services that generally provided a continuous access to dynamic data sets and analytics for a defined period are billed in advance at the beginning of the subscription period and revenue is recognised ratably as the Group's performance obligation to provide access to the data and analytics that is progressively fulfilled over the stated term of the contract.

6. Revenue (continued)

Contract balances

Contracts billed in advance, are recorded by the Group as a contract liability (deferred revenue) until the performance obligations are satisfied. As of 31 December 2018 and 31 December 2017, contracts liabilities were £122.7m and £117.6m respectively and are included in current and non-current liabilities.

Contract assets represent arrangements in which surveillance fees are billed in arrears or revenue is accrued on break fees set up at milestones where the Group has unconditional right to payment. As of 31 December 2018 and 31 December 2017, contracts assets were £19.2m and £14.9m respectively and are included in accounts receivable and other current assets.

The difference between the opening and closing balances of the Group's contract assets and contract liabilities primarily results from the timing difference between the Group's performance obligations being satisfied and the customer's billings. Other changes from cumulative catch up adjustments arising from contract modifications as well as variances with the estimate of the transaction price may occur but estimated to be immaterial overall compared to the total change during the period.

Performance obligations

At contract inception, the Group assesses the services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a service (or bundle of services) that is distinct. To identify the performance obligations, the Group considers all of the services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices. Remaining performance obligations represent the transaction price of contracts for work that has not yet been performed. As of 31 December 2018, the aggregate amount of the transaction price allocated to the remaining performance obligation was £122.7m.

Discounts, variable consideration, payment terms and contract costs

The Group does not offer cash discounts for prompt payment. Discounts for bundled services are allocated proportionally to all performance obligations.

The Group has the right, at any time before issuing a rating and without a penalty, to cease the provision of services requested, in which cases, the payment of the services would not be enforced. The Group's performance does not create an asset with an alternative use. Some contracts include a general breakup fee clause for reimbursement by the customer of reasonable costs upon customer cancellation or non-issuance. Other contracts include specific breakup fee clauses upon completion of certain milestone stages in the rating process. For such contracts, the Group has an enforceable right to payment for performance completed to date and revenue is recognised as the breakup stages defined in the contract are completed.

Both Fitch Ratings and Fitch Solutions require customers to pay invoices within 30 days of being invoiced. Contracts with payment in arrears are recognised as receivables. The Group establishes provision for estimated credit notes.

Incremental costs of obtaining a contract related to commissions in Fitch Solutions are not recognised as an asset as the Group adopts the practical expedient that permits to expense immediately such contract acquisitions costs if the amortisation period would be one year or less.

7. Other income

	2018	2017
	£000	£000
Dividend income on other financial assets	174	181

8. Operating expenses

Operating profit is after charging/ (crediting):

	2018	2017
	£000	£000
Employee benefit expense (note 9)	220,735	207,996
Operating lease payments (note 12)	12,826	11,986
Other premises costs	11,788	11,648
Depreciation, amortisation and impairment charges (notes 12 and 13)	4,213	3,782
Non-recoverable travel expenses	11,892	9,634
Marketing	3,657	2,862
Auditor remuneration	1,019	974
Recharges between related parties (note 28)	27,994	28,661
Net foreign exchange losses	711	436
Other operating expenses	27,699	32,643
	322,534	310,622

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and its associates:

	2018	2017
	£000	£000
Fees payable to the Company's auditor and its associates for the audit of Parent company and consolidated financial statements	289	312
Fees payable to the Company's auditor and its associates for other services:		
- The audit of Company's subsidiaries financial statements	730	662
	1,019	974

9. Employees benefit expense

	2018	2017
	£000	£000
Wages and salaries	180,621	171,268
Social security costs	20,469	19,182
Other pension costs	8,998	8,297
Other employment benefits	10,647	9,249
	220,735	207,996

	No.	No.
Monthly average number of people (including executive directors) employed:		
(all employed in the principal activities of the Group)		
- UK Parent	523	523
- UK subsidiaries	97	60
- Overseas	1,386	1,284
	2,006	1,867

10. Finance income and costs

	2018	2017
	£000	£000
Finance income:		
- Interest income on short-term bank deposits	4,488	3,648
- Interest income on related party receivables	8,403	8,718
- Other interest receivable and similar income	58	38
Finance income	12,949	12,404
Finance cost:		
- Bank overdraft	(191)	(115)
- Other interest payable and similar charges	(52)	(27)
- Provisions: unwinding of discount	(95)	(87)
Finance costs	(338)	(229)
Net finance income	12,611	12,175

11. Tax expense

	2018	2017
	£000	£000
Current tax:		
Current tax on profits for the year	55,810	47,216
Adjustments in respect of prior years	42	(496)
Total current tax	55,852	46,720
Deferred tax (note 23):		
Origination and reversal of temporary differences	664	(1,734)
Adjustments in respect of prior years	70	(40)
Impact of change in tax rates	96	61
Total deferred tax	830	(1,713)
Tax expense	56,682	45,007

11. Tax expense (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2018	2017
	£000	£000
Profit before tax	282,693	197,366
Tax calculated at domestic tax rates applicable to profits in the respective countries	60,279	44,318
Tax effects of:		
- Adjustment in respect of prior years	112	(536)
- Income not subject to tax	(13,623)	(1,638)
- Irrecoverable withholding tax	8,018	1,810
- Expenses not deductible for tax purposes	857	1,958
- Deferred taxation on unremitted retained earnings	964	391
- Tax on associates	(516)	(1,656)
- Additional branch tax	494	299
- Impact of changes in tax rates	97	61
Tax expense	56,682	45,007

The weighted average applicable tax rate was 20.05% (2017: 22.80%).

As a result of the reductions to the UK tax rate as enacted in 2015 and 2016 whereby the tax rates have reduced to 19% from 1 April 2017 and will reduce to 17% from 1 April 2020, UK deferred tax expected to reverse from December 2017 to March 2020 has been measured using 19% and 17% from 1 April 2020.

The tax charge relating to components of other comprehensive income is as follows:

	Before tax	Deferred tax charge	After tax
	£000	£000	£000
At 31 December 2016	1,577	(343)	1,234
Fair value gains:			
- Other financial assets	725	(156)	569
At 31 December 2017	2,302	(499)	1,803
Fair value gains:			
- Other financial assets	1,160	(255)	905
At 31 December 2018	3,462	(754)	2,708

12. Property, plant and equipment

CONSOLIDATED	Land and buildings	Leasehold improvements	Office equipment	Other	Total
	£000	£000	£000	£000	£000
At 1 January 2017					
Cost	3,944	14,285	14,282	4,319	36,830
Accumulated depreciation	(962)	(6,946)	(9,880)	(3,440)	(21,228)
Net book amount	2,982	7,339	4,402	879	15,602
Year ended 31 December 2017					
Opening net book amount	2,982	7,339	4,402	879	15,602
Exchange differences	(29)	(43)	(18)	8	(82)
Additions	-	1,425	1,708	265	3,398
Disposals	-	-	(5)	(11)	(16)
Depreciation charge (note 8)	(112)	(1,393)	(2,045)	(231)	(3,781)
Closing net book amount	2,841	7,328	4,042	909	15,121
At 31 December 2017					
Cost	3,899	15,420	15,400	4,403	39,122
Accumulated depreciation	(1,058)	(8,092)	(11,358)	(3,493)	(24,001)
Net book amount	2,841	7,328	4,042	910	15,121
Year ended 31 December 2018					
Opening net book amount	2,841	7,328	4,042	910	15,121
Exchange differences	117	39	20	17	193
Additions	-	1,637	3,821	883	6,341
Disposals	(2)	(79)	(55)	(15)	(151)
Depreciation charge (note 8)	(114)	(1,492)	(2,269)	(337)	(4,212)
Closing net book amount	2,842	7,433	5,559	1,458	17,292
At 31 December 2018					
Cost	4,052	16,718	18,288	4,886	43,944
Accumulated depreciation	(1,210)	(9,285)	(12,729)	(3,428)	(26,652)
Net book amount	2,842	7,433	5,559	1,458	17,292

Leasehold improvements include landlords improvements and other property, plant and equipment includes motor vehicles and office furniture.

Lease rentals of £12.6m (2017: £11.8m) for the lease of offices and £0.2m (2017: £0.2m) for office equipment have been charged in 'Operating expenses' (note 8).

12. Property, plant and equipment (continued)

COMPANY	Leasehold improvements £000	Office equipment £000	Other £000	Total £000
At 1 January 2017				
Cost	8,964	3,070	1,537	13,571
Accumulated depreciation	(3,660)	(2,332)	(1,477)	(7,469)
Net book amount	5,304	738	60	6,102
Year ended 31 December 2017				
Opening net book amount	5,304	738	60	6,102
Exchange differences	-	(1)	(1)	(2)
Additions	1,237	630	153	2,020
Depreciation charge (note 8)	(608)	(407)	(18)	(1,033)
Closing net book amount	5,933	960	194	7,087
At 31 December 2017				
Cost	10,200	3,670	1,688	15,558
Accumulated depreciation	(4,267)	(2,710)	(1,494)	(8,471)
Net book amount	5,933	960	194	7,087
Year ended 31 December 2018				
Opening net book amount	5,933	960	194	7,087
Exchange differences	5	1	1	7
Additions	418	1,040	188	1,646
Depreciation charge (note 8)	(775)	(562)	(77)	(1,414)
Closing net book amount	5,581	1,439	306	7,326
At 31 December 2018				
Cost	10,623	4,715	1,878	17,216
Accumulated depreciation	(5,042)	(3,276)	(1,572)	(9,890)
Net book amount	5,581	1,439	306	7,326

Leasehold improvements include landlords improvements and other property, plant and equipment includes office furniture.

13. Intangible assets

CONSOLIDATED	Goodwill	Intellectual Property	Customer Lists	Total
	£000	*£000*	*£000*	*£000*
Cost				
At 1 January 2017	8,309	2,567	8,692	19,568
Exchange differences	230	24	241	495
At 31 December 2017	8,539	2,591	8,933	20,063
Exchange differences	130	-	139	269
Disposals	-	(520)	-	(520)
At 31 December 2018	8,669	2,071	9,072	19,812
Accumulated amortisation and impairment				
At 1 January 2017	-	1,697	8,692	10,389
Exchange differences	-	-	241	241
Amortisation charge (note 8)	-	1	-	1
At 31 December 2017	-	1,698	8,933	10,631
Exchange differences	-	-	139	139
At 31 December 2018	-	1,698	9,072	10,770
Net book value				
Cost	8,539	2,591	8,933	20,063
Accumulated amortisation and impairment	-	(1,698)	(8,933)	(10,631)
At 31 December 2017	8,539	893	-	9,432
Cost	8,669	2,071	9,072	19,812
Accumulated amortisation and impairment	-	(1,698)	(9,072)	(10,770)
At 31 December 2018	8,669	373	-	9,042

Impairment tests were carried out on goodwill and no impairment was required (note 4).

Amortisation is charged to operating expenses within the income statement.

14. Investment in subsidiaries

COMPANY	Cost of shares	Provision for diminution in value	Net book value
	£000	£000	£000
At 31 December 2017	76,589	(3,124)	73,465
Additions	1,649	-	1,649
Movement in provision	-	(30)	(30)
At 31 December 2018	78,238	(3,154)	75,084

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid. The carrying amount of the investment in group undertakings has been reduced to its recoverable amount through provision for diminution in value against cost of shares. The addition in the year is the incorporation of a new subsidiary in China, Fitch (China) Bohua Credit Rating Ltd.

15. Investment in joint venture

	Consolidated		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
At beginning of year	17,025	10,147	8,486	8,486
Share of profit	-	7,042	-	-
Share of dividends received	-	-	-	-
Disposals	(17,025)	-	(8,486)	-
Exchange differences	-	(164)	-	-
At end of year	-	17,025	-	8,486

In January 2018 the Company completed the sale of its 49% holding in China Lianhe Credit Rating Co. Ltd for £78.4m resulting in a profit before tax of £61.3m after deducting legal and other transactional expenses.

The following amounts represented the Group's 49% share of the assets and liabilities, and sales and results of the joint venture. They were included in the balance sheet and income statement.

	2018	2017
	£000	£000
Assets:		
- Current assets	-	21,546
	-	21,546
Liabilities:		
- Current liabilities	-	4,521
	-	4,521
Net assets	-	17,025
- Income	-	16,042
- Expenses	-	(9,000)
Profit after tax	-	7,042

There are no contingent liabilities relating to the Group's interest in the joint venture and no contingent liabilities of the venture itself.

16. Investment in associates

	Consolidated		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
At beginning of year	1,905	1,902	495	495
Share of profit	1,281	1,189	-	-
Share of dividends received	(1,178)	(1,300)	-	-
Exchange differences	67	114	-	-
At end of year	2,075	1,905	495	495

The Group's share of the results of its principal associates, who are involved in ratings and are strategic to the Group, and its share of aggregated assets (including goodwill) and liabilities are as follows:

Name	Country of Incorporation/Registered Office	Assets	Liabilities	Revenues	Profit	Interest held
		£000	£000	£000	£000	%
31 December 2018:						
- *Fitch Ratings (Thailand) Ltd*	*Thailand*	*1,296*	*(266)*	*1,160*	*351*	49.9%
- FIX SCR S.A	Argentina	-	-	257	257	30%
- Fitch Colombia SA	Colombia	2,293	(1,357)	2,294	630	30%
- Apoyo & Asociados y Cia Ltda	Peru	104	(57)	312	35	20%
- AESA Ratings SA	Bolivia	137	(75)	208	8	25%
		3,830	(1,755)	4,231	1,281	
31 December 2017:						
- Fitch Ratings (Thailand) Ltd	Thailand	1,316	(274)	1,247	411	49.9%
- FIX SCR S.A	Argentina	-	-	344	344	30%
- Fitch Colombia SA	Colombia	1,537	(792)	1,805	392	30%
- Apoyo & Asociados y Cia Ltda	Peru	97	(43)	316	29	20%
- AESA Ratings SA	Bolivia	126	(62)	224	13	25%
		3,076	(1,171)	3,935	1,189	

The Group holds ordinary shares in these associates.

17. Other financial assets

	Consolidated		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
At beginning of year	63,670	62,925	100	100
Exchange differences	1,119	1,575	-	-
Additions	94,067	94,994	-	-
Disposals	(95,320)	(96,549)	-	-
Movement in fair value	1,160	725	-	-
At end of year	64,696	63,670	100	100
Less non-current portion	(6,672)	(5,421)	(100)	(100)
Current portion	58,024	58,249	-	-

17. Other financial assets (continued)

Other financial assets include the following:

CONSOLIDATED	2018 £000	2017 £000
Deposits in excess of 3 months - Asia	58,024	58,249
Unlisted securities - Asia	6,672	5,421
	64,696	63,670

COMPANY	2018 £000	2017 £000
Unlisted securities - Asia	100	100

The cost of the deposits approximate to their fair value.

The directors believe that the carrying value of the other financial assets described above is supported by their underlying net assets.

None of these financial assets is either past due or impaired.

Other financial assets are denominated in the following currencies:

CONSOLIDATED	2018 £000	2017 £000
UK pound	100	100
Other currencies	64,596	63,570
	64,696	63,670

COMPANY	2018 £000	2017 £000
UK pound	100	100

Other financial assets recorded at fair value

The Group's other financial assets carried at fair value have been categorised as follows:
- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Group's other financial assets carried at fair value, being the Group's holding in unlisted securities in Korea Credit Bureau Co Ltd, have been categorised as follows:

	2018 £000	2017 £000
Level 3	6,560	5,309

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available, minimising entity specific estimates. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

17. Other financial assets (continued)

Details of changes in Level 3 fair value measured on recurring basis were as follows:

	2018 £000	2017 £000
At beginning of year	5,309	4,452
Gains and losses recognised in other comprehensive income	905	569
Gains and losses recognised in deferred tax	255	156
Exchange differences	91	132
At end of year	6,560	5,309

There were no additions or disposals in the year.

The fair value of the Group's holding in Korea Credit Bureau Co Ltd was evaluated using a reasonable appraisal model. The appraiser used an income-based approach of the discounted cash flow ("DCF") model and market-value approach of the comparable company analysis ("CCA") model to estimate the stock price distribution curve and to determine fair value. The DCF model uses expected future free cash flow projections and discounts them using the weighted average cost of capital to arrive at a present value,.which is used to evaluate the fair value. The CCA model is a process used to evaluate the value of a company using the metrics of other businesses under multiple assumptions such as (1) existence of businesses sharing similar business models, structures, earnings and risks in the same industry; and (2) those businesses are being evaluated using those metrics. The appraisal for 2018 was carried out by MS Value.

The following valuation technique and input variables were used for fair value measurement of the Group's holding in Korea Credit Bureau Co Ltd at 31 December 2018 categorised within Level 3 of the fair value hierarchy:

Valuation technique	Level 3 input	Input value
DCF Model	Industry beta	1.11
	Industry average debt ratio	0.00%
	Unlevered company beta	1.11
	Levered company beta	1.11
	Risk-free rate	2.20%
	Market risk premium	10.40%
	Cost of equity	15.80%
	After-tax cost of debt	0.00%
	Weighted average cost of capital	15.80%
	Projection period	4 years
CCA Model	P/E Ratio	14 times

Sensitivity analysis on financial instruments measures favourable and unfavourable changes in fair value pursuant to changes in unobservable input variables using statistical techniques. If the fair value is affected by two or more input variables, sensitivity analysis is performed based on most favourable (£0.6m for 2018, £0.2m for 2017) and most unfavourable amounts (£0.5m for 2018, £0.1m for 2017).

18. Trade and other receivables

CONSOLIDATED	2018 £000	2017 £000
Trade receivables	104,009	102,744
Less: allowance for doubtful debts	(2,691)	(2,681)
Trade receivables - net	101,318	100,063
Prepayments	5,793	5,345
Accrued income	19,249	14,872
Rent and other deposits	8,158	8,774
Receivables from related parties (note 28)	235,451	224,246
Other receivables	5,224	4,315
	375,193	357,614
Less non-current portion:		
Rent and other deposits	7,627	8,319
Receivables from related parties (note 28)	199,466	200,466
Other receivables	482	178
Non-current portion	207,575	208,963
Current portion	167,618	148,652

COMPANY	2018 £000	2017 £000
Trade receivables	30,755	26,002
Less: allowance for doubtful debts	(808)	(998)
Trade receivables - net	29,947	25,004
Prepayments	3,034	3,831
Accrued income	11,648	9,029
Rent and other deposits	51	15
Receivables from related parties	246,042	224,500
Other receivables	1,074	1,093
	291,796	263,472
Less non-current portion:		
Rent and other deposits	5	5
Receivables from related parties (note 28)	199,466	200,466
Non-current portion	199,471	200,471
Current portion	92,325	63,001

All non-current receivables are due within five years from the end of the reporting period. The effective interest rate on non-current receivables from related parties was 4% (2017: 4%).

Consolidated

As of 31 December 2018, the Group's trade receivables of £101.3m (2017: £100.1m) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2018 £000	2017 £000
Less than 60 days	76,556	78,337
61-90 days	6,712	7,520
Over 90 days	18,050	14,206
	101,318	100,063

As of 31 December 2018, the Group's trade receivables of £2.7m (2017: £2.7m) were impaired. The ageing of these receivables is as follows:

	2018 £000	2017 £000
Less than 60 days	-	-
61-90 days	-	-
Over 90 days	2,691	2,681
	2,691	2,681

18. Trade and other receivables (continued)

The carrying amount of the Group's trade receivables are denominated in the following currencies:

	2018	2017
	£000	£000
UK pound	30,525	30,098
Euros	26,292	26,566
US dollar	23,933	22,640
Other currencies	20,568	20,759
	101,318	100,063

Movements on the Group's provision for impairment of trade receivables are as follows:

	2018	2017
	£000	£000
At beginning of year	2,681	1,959
Allowance for doubtful debts	(272)	757
Exchange differences	282	(35)
At end of period	2,691	2,681

Company

As of 31 December 2018, Company trade receivables of £29.9m (2017: £25.0m) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2018	2017
	£000	£000
Less than 60 days	20,260	17,290
61-90 days	3,005	3,474
Over 90 days	6,682	4,240
	29,947	25,004

The carrying amounts of the Company's trade receivables are denominated in the following currencies:

	2018	2017
	£000	£000
UK pound	7,871	4,526
Euros	10,583	11,301
US dollar	11,316	9,062
Other currencies	177	115
	29,947	25,004

19. Cash and cash equivalents

	2018	2017
CONSOLIDATED	£000	£000
Cash at bank and in hand	121,484	109,155
Short-term bank deposits	257,175	392,665
Cash and cash equivalents	378,659	501,820

	2018	2017
COMPANY	£000	£000
Cash at bank and in hand	60,408	61,443
Short-term bank deposits	240,000	370,000
Cash and cash equivalents	300,408	431,443

20. Share capital and share premium

	Number of shares	Ordinary shares at £1 each	Share premium	Total
Authorised, issued and fully paid:		£000	£000	£000
At 31 December 2018 and 2017	90,392	90	1,876	1,966

The dividends paid in 2018 and 2017 were £360.4m and £nil respectively.

21. Other reserves

	Other financial assets	Translation	Total
CONSOLIDATED	£000	£000	£000
At 31 December 2017	1,666	10,837	12,503
Revaluation of other financial assets, gross	1,160	-	1,160
Revaluation of other financial assets, tax	(255)	-	(255)
Currency translation differences - group	-	3,038	3,038
At 31 December 2018	2,571	13,875	16,446

22. Trade and other payables

	2018	2017
CONSOLIDATED	£000	£000
Trade payables	3,306	2,385
Amounts due to related parties (note 28)	2,070	1,246
Accrued expenses and deferred revenue	189,062	172,228
Social security and other taxes	13,617	12,725
Other payables	16,296	15,948
	224,351	204,532
Less non-current portion:		
Trade payables	-	5
Accrued expenses and deferred revenue	2,357	1,995
Social security and other taxes	2,009	1,828
Other payables	2,748	2,398
Non-current portion	7,114	6,226
Current portion	217,237	198,305

	2018	2017
COMPANY	£000	£000
Trade payables	1,187	1,167
Amounts due to related parties (note 28)	157,426	113,015
Accrued expenses and deferred revenue	45,958	45,929
Social security and other taxes	2,606	3,006
Other payables	4,031	3,739
	211,208	166,856
Less non-current portion:		
Social security and other taxes	1,109	950
Non-current portion	1,109	950
Current portion	210,099	165,906

23. Deferred tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2018	2017
	£000	£000
CONSOLIDATED		
Deferred tax assets:		
- Deferred tax assets to be recovered after more than 12 months	2,765	3,149
- Deferred tax assets to be recovered within 12 months	11,880	11,180
	14,645	14,329
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	201	264
- Deferred tax liabilities to be recovered within 12 months	7,546	6,214
	7,747	6,478
Net deferred tax assets	6,898	7,851
COMPANY		
Deferred tax assets:		
- Deferred tax assets to be recovered after more than 12 months	1,488	1,489
- Deferred tax assets to be recovered within 12 months	2,196	2,618
	3,684	4,107
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	128	125
- Deferred tax liabilities to be recovered within 12 months	4,106	3,568
	4,234	3,693
Net Deferred tax (liabilities) / assets	(550)	414

The gross movement on the deferred tax account is as follows:

	Consolidated		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
At beginning of year	7,851	6,480	414	(764)
Exchange differences	132	(186)	-	-
Income statement credit/(charge) (note 11)	(830)	1,713	(964)	1,178
Tax (charged)/credited directly to equity (note 11)	(255)	(156)	-	-
At end of year	6,898	7,851	(550)	414

The movement in Group deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Depn. in excess of capital allowances	Bad debts, deferred income and other provisions	Total
	£000	£000	£000
Deferred tax assets			
At 31 December 2017	459	13,870	14,329
Credited to the income statement	100	47	147
Exchange difference	-	169	169
At 31 December 2018	559	14,086	14,645

23. Deferred tax (continued)

	Accel. tax depn.	Fair value gains	Future tax on unremitted earnings	Other	Total
	£000	£000	£000	£000	£000
Deferred tax liabilities					
At 31 December 2017	218	608	5,380	272	6,478
Charged to the income statement	(17)	-	964	29	976
Charged to other comprehensive income	-	255	-	-	255
Exchange difference	-		38	-	38
At 31 December 2018	201	863	6,382	301	7,747

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets in respect of trading losses amounting to £0.8m (2017: £0.2m) and capital losses amounting to £0.1m (2017: £0.1m) where they are not expected to be utilised in the foreseeable future. These capital losses may be utilised in the future.

Deferred tax liabilities of £6.4m (2017: £5.4m) have been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are expected to be remitted in the foreseeable future. Unremitted earnings totalled £643m at 31 December 2018 (2017: £763m).

24. Provisions

CONSOLIDATED	2018	2017
	£000	£000
At beginning of year	8,517	8,199
Charged/(credited) to the income statement:		
- Additional provisions	2,567	1,643
- Unused amounts reversed	(2,444)	(1,206)
Exchange differences	1,163	(119)
At end of year	9,803	8,517

The Group provisions principally relate to the cost of removal of leasehold improvements and dilapidations at the end of the lease, and include £0.3m related to employees. The current and non-current balances being:

	2018	2017
	£000	£000
Analysed as:		
-Non-current	7,736	7,733
-Current	2,067	784
	9,803	8,517

COMPANY	2018	2017
	£000	£000
At beginning of year	6,824	6,297
Charged/(credited) to the income statement:		
- Additional provisions	132	708
- Unused amounts reversed	(161)	(181)
At end of year	6,795	6,824

24. Provisions (continued)

The Company provisions principally relate to the cost of removal of leasehold improvements and dilapidations at the end of the lease, the current and non-current balances being:

	2018	2017
	£000	£000
Analysed as:		
-Non-current	5,909	6,388
-Current	886	436
	6,795	6,823

25. Cash generated from operations

	Consolidated		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Profit before tax	282,671	197,366	222,474	143,407
Adjustments for:				
- Depreciation	4,212	3,781	1,414	1,033
- Amortisation	-	1	-	-
- Loss on disposal of property, plant and equipment	125	-	-	
- Loss on disposal of intangibles	520	-	-	-
- Profit on disposal of joint venture	(61,336)	-	(69,875)	-
- Finance income – net	(12,611)	(12,175)	(10,097)	(9,896)
- Share of profit from associates	(1,281)	(1,189)	-	-
- Share of profit from joint venture	-	(7,042)	-	-
- Foreign exchange losses/(gains) in operating activities	(2,073)	(11,068)	4,594	1,699
(Decrease)/Increase changes in working capital (excluding exchange differences on consolidation):				
- Trade and other receivables	(40,849)	(14,203)	(20,287)	(4,083)
- Provisions	1,226	346	(28)	526
- Trade and other payables	56,518	19,552	43,935	(15,939)
Cash generated from operations	227,122	175,370	172,130	116,747

26. Contingencies

The Company has provided a letter of support to certain of its subsidiary undertakings. There are claims arising in the normal course of trading which involve, or may involve, litigation. In addition, various regulatory bodies make, from time to time, enquiries and conduct investigations concerning compliance with applicable laws and regulations. All amounts that are considered as becoming payable on account of such claims or enquiries and can be estimated reliably have been accrued.

27. Commitments

(a) Capital commitments

The Group has no capital commitments at 31 December 2018 (2017: nil).

(b) Operating lease commitments

The Group leases offices under non-cancellable operating lease agreements. The lease terms are between 1 and 15 years. The lease expenditure charged to the Income Statement during the year is disclosed in note 8.

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

CONSOLIDATED	2018 £000	2017 £000
No later than 1 year	15,516	15,331
Later than 1 year and no later than 5 years	45,697	48,042
Later than 5 years	15,298	22,994
Total	76,511	86,367

COMPANY	2018 £000	2017 £000
No later than 1 year	7,665	7,649
Later than 1 year and no later than 5 years	30,782	30,504
Later than 5 years	14,156	21,381
Total	52,603	59,534

28. Related-party transactions

Consolidated

(a) Recharge of operating costs to related parties

	2018 £000	2017 £000
Recharges of operatings costs to related parties:		
- Immediate parent	44,601	41,490
- Ultimate parent	268	1,044
- Fellow subsidiaries of the ultimate parent	29,276	28,560
	74,145	71,094

Operating costs recharged include shared services and management fees.

(b) Recharge of operating costs from related parties

	2018 £000	2017 £000
Recharges of operatings costs from related parties:		
- Immediate parent	69,295	67,994
- Ultimate parent	8,011	9,478
- Fellow subsidiaries of the ultimate parent	24,833	22,283
	102,139	99,755

Operating costs recharged include shared services and management fees.

28. Related-party transactions (continued)

(c) Operating lease payments

The Company has leased its office space in London from North Colonnade Ltd, owned by Fimalac (80%) and The Hearst Corporation (20%). The Company's expense under this lease for the year to 31 December 2018 totalled £7.6m (2017: £7.1m) and is included in 'Operating lease payments' in note 8.

(d) Key management compensation

Key management includes directors (executive and non-executive), Chief Operating Officer and the Regional Heads employed by the Group. The compensation paid or payable to key management for employee services is shown below.

	2018 £000	2017 £000
Salaries and other short-term employee benefits	2,812	2,779
Post-employment benefits	45	20
Other long-term benefits	2,468	3,519
	5,325	6,318

(e) Directors

	2018 £000	2017 £000
Directors' emoluments:		
Aggregate emoluments	1,990	1,965
Aggregate amounts receivable under long-term incentive schemes	1,877	2,509
	3,867	4,474
Highest paid director:		
Aggregate emoluments	1,191	1,162
Aggregate amounts receivable under long-term incentive schemes	1,425	1,871
	2,616	3,033

(f) Year-end balances arising from loans and operating recharges to/from related parties

	2018 £000	2017 £000
Receivables from related parties (note 18):		
- Immediate parent	3,227	-
- Fellow subsidiaries of the ultimate parent	232,224	224,246
Payables to related parties (note 22):		
- Immediate parent	-	(1,117)
- Fellow subsidiaries of the ultimate parent	(2,070)	(129)
	233,381	223,000

28. Related-party transactions (continued)

(g) Year-end balances arising from loans to related parties

	2018	2017
	£000	£000
Loan to fellow subsidiary of the ultimate parent		
At beginning of year	222,059	215,253
Loans advanced during the year	-	-
Loan repayments during year	(2,430)	(1,887)
Interest charged	8,395	8,718
Foreign exchange gain	8	(25)
At end of year	228,032	222,059

The carrying value of the loans approximates to its fair value and the effective interest rate of the loan is 4%.

29. Financial instruments by category

CONSOLIDATED	31 December 2018 Financial assets at amortised cost	FVOCI	Total
	£000	£000	£000
Assets as per balance sheet			
Other financial assets	-	64,697	64,697
Trade and other receivables excluding prepayments	511,007	-	511,007
Cash and cash equivalents	378,659	-	378,659
	889,666	64,697	954,363

CONSOLIDATED	Financial liabilities at amortised cost	Total
	£000	£000
Liabilities as per balance sheet		
Trade and other payables excluding non-financial liabilities	240,919	240,919
	240,919	240,919

CONSOLIDATED	31 December 2017 Loans and receivables	Available for sale	Total
	£000	£000	£000
Assets as per balance sheet			
Other financial assets	-	63,670	63,670
Trade and other receivables excluding prepayments	352,270	-	352,270
Cash and cash equivalents	501,820	-	501,820
	854,090	63,670	917,760

CONSOLIDATED	Financial liabilities at amortised cost	Total
	£000	£000
Liabilities as per balance sheet		
Trade and other payables excluding non-financial liabilities	84,962	84,962
	84,962	84,962

The carrying value of the assets and liabilities approximate to their fair value.

29. Financial instruments by category (continued)

	31 December 2018		
COMPANY	**Financial assets at amortised cost**	**FVOCI**	**Total**
	£000	£000	£000
Assets as per balance sheet			
Other financial assets	-	100	100
Trade and other receivables excluding prepayments	377,863	-	377,863
Cash and cash equivalents	300,408	-	300,408
	678,272	100	678,372

COMPANY	**Other financial liabilities at amortised cost**	**Total**
	£000	£000
Liabilities as per balance sheet		
Trade and other payables excluding non-financial liabilities	280,441	280,441
	280,441	280,441

	31 December 2017		
COMPANY	**Loans and receivables**	**Available for sale**	**Total**
	£000	£000	£000
Assets as per balance sheet			
Other financial assets	-	100	100
Trade and other receivables excluding prepayments	263,500	-	263,500
Cash and cash equivalents	431,443	-	431,443
	694,943	100	695,043

COMPANY	**Other financial liabilities at amortised cost**	**Total**
	£000	£000
Liabilities as per balance sheet		
Trade and other payables excluding non-financial liabilities	148,156	148,156
	148,156	148,156

30. Subsidiaries

Name	Address	Country of incorporation	Proportion of ordinary shares held by Parent (%)	Proportion of ordinary shares held by the Group (%)
EMEA				
Fitch France SA	60 rue de Monceau, 75008, Paris	France	100%	100%
Fitch Deutschland Gmbh.	Neue Mainzer Strasse 46-50, D-60311, Frankfurt	Germany	100%	100%
Fitch Italia SPA	Via Morigi, 6 Ingresso Via Privata Maria Teresa, 8, 29123 Milan	Italy	97% (i)	97% (i)
Fitch Ratings Espana SA	Av. Diagonal 601, 2nd Floor, 80029 Barcelona	Spain	100%	100%
Fitch Solutions Ltd	30 North Colonnade, Canary Wharf, London, E14 5GN	UK	100%	100%
Fitch Ratings CIS Limited	30 North Colonnade, Canary Wharf, London, E14 5GN	UK	100%	100%
Fitch Polska SA	Krolewska 16, 00-103, Warsaw	Poland	100%	100%
Fitch Southern Africa (Pty) Limited	Sturdee House - 1st Floor, 9 Sturdee Avenue, Rosebank, Gauteng, 2196	South Africa	100%	100%
Inter Arab Rating Company	Office 302, Building 111, Road 385, Block 304, Manama, Kingdom of Bahrain	Bahrain	100%	100%
Fitch North Africa SA	17, Avenue Mongi Slim, El Menzah 5, Ariana	Tunisia	nil	100%
Fitch Solutions Deutschland GmbH	Neue Mainzer Strasse 46-50, D-60311, Frankfurt	Germany	nil	100%
Fitch Ratings Ireland Limited	39/40 Mount Street Upper, Dublin 2, DO2PR89, Ireland	Ireland	100%	100%
ASIA				
Fitch Australia Pty Limited	Level 15, 77 King Street, Sydney, NSW 2000	Australia	100%	100%
Fitch (Hong Kong) Limited	19/F Man Yee Building, 68 Des Voeux Road Central	Hong Kong	100%	100%
India Ratings & Research Private Limited (ii)	Wockhart Tower, West Wing, Level 4, Bandra Kurla Complex, Mumbai Maharashtra 400051	India	71.9% (i)	71.9% (i)
Fitch India Services Private Ltd (ii)	Wockhart Tower, West Wing, Level 4, Bandra Kurla Complex, Mumbai Maharashtra 400051	India	100.00%	100.00%
Korea Ratings Corporation	9F Kyobo Securities Building, 97 Uisadang-daero, Yeongeungpo-Gu, Seoul 07327	Korea	74.86%	74.86%
e-Credible Ltd	9F Kyobo Securities Building, 97 Uisadang-daero, Yeongeungpo-Gu, Seoul 07327	Korea	nil	67.77%
e-Credible Networks Co Ltd	9F Kyobo Securities Building, 97 Uisadang-daero, Yeongeungpo-Gu, Seoul 07327	Korea	nil	100.00%
Fitch Ratings Singapore Pte Limited	1 Raffles Quay #22-11, South Tower, Singapore, 048583	Singapore	100%	100%
Fitch Ratings (Beijing) Limited	1903, 19/F, PICC Tower, 2 Jianguomenwai Avenue, Chaoyang District, Beijing 100022	China	100%	100%
PT Fitch Ratings Indonesia	DBS Bank Tower 24th Floor, Jl. Prof.Dr. Satrio Kav 3-5, 12940 Jakarta	Indonesia	100%	100%
Fitch Ratings Japan Ltd	Kojimachi Crystal City East Wing 3rd Floor, 4-8 Kojimachi, Chiyoda-ku, Tokyo 102-0083	Japan	100%	100%
Fitch Solutions Asia Pte Ltd	1 Raffles Quay #22-11, South Tower, Singapore, 048583	Singapore	nil	100%
IRR Advisory Services Private Ltd (ii)	Wockhart Tower, West Wing, Level 4, Bandra Kurla Complex, Mumbai Maharashtra 400051	India	nil	100%
Fitch (China) Bohua Credit Ratings Ltd	Room 1531, 15/F, No.3 Building, No. 2 Yard, Jianguomenwai Avenue, Chaoyang District, Beijing	China	100%	100%
LATIN AMERICA				
Fitch Ratings Brasil Limitada	Praça XV de Novembro, 20, Sala 401-B, Centro, Rio de Janeiro - RJ, RJ Cep 20.010-010	Brazil	100%	100%
Fitch Chile Holding SA	Alcantara 200, Of. 202, Las Condes, Santiago	Chile	100%	100%
Fitch Chile Clasificadora de Riesgo Limitada	Alcantara 200, Of. 202, Las Condes, Santiago	Chile	nil	81.68% (i)
Fitch Mexico SA	Blvd. Manuel Avila Camacho No. 88, Edificio Picasso, Piso 10, Col. Lomas de Chapultepec, Mexico City 11950	Mexico	100%	100%
Fitch Venezuela Sociedad Calificadora de Riesgo SA (ii)	Edif Seguros Mercantil, Av Fco Solano, Piso 7, ofic 7-1, Caracas 1050	Venezuela	60%	85% (i)

(i) Denotes balance of shares owned by parent or fellow subsidiary undertaking

30. Subsidiaries (continued)

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the Parent do not differ from the proportion of ordinary and preference shares held.

Group holdings in joint ventures are set out in note 15 and associates are set out in note 16.

All trading subsidiaries, joint ventures and associated undertakings are principally involved in the provision of ratings, research, modelling and data subscription services.

In addition to the above, the Company and its subsidiary undertakings also have branches located and operating in Sweden, Saudi Arabia, Taiwan, Korea, Russia, Dubai and China.