

WILLIS TOWERS WATSON SECURITIES EUROPE LIMITED

Registered Number 02908053

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Directors

Executive Directors

BD Shea

AJ Melia

MT Hvidsten (Appointed 11 April 2019)

JA Byng (Appointed 2 October 2019)

RE Fitzpatrick (Appointed 30 March 2020)

Registered Office

51 Lime Street
EC3M 7DQ
London

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

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WILLIS TOWERS WATSON SECURITIES EUROPE LIMITED

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WILLIS TOWERS WATSON SECURITIES EUROPE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Company activities and review of developments

Willis Towers Watson Securities Europe Limited (the 'Company') is regulated by the Financial Conduct Authority ('FCA') and acts as an arranger of certain types of investments and derivatives. The Company is a subsidiary of Willis Towers Watson plc. Willis Towers Watson plc, together with its subsidiaries ('WTW'), is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. The Company is domiciled and incorporated in the UK.

Previously the Company acted as an advisor on mergers and acquisitions and other corporate finance transactions, as well as an arranger of certain types of investment and derivative contracts. During 2018, the mergers and acquisitions advisory element of the business was placed into run-off, with the associated staff being made redundant effective from 1 January 2019. The Company continues to operate its Broker Dealer business related to insurance-linked securities ('ILS') and the weather derivative contracting business. The Company may continue to engage in M&A advisory on a limited and highly selective basis, when this would complement WTW's other risk and capital management offerings.

Results

The profit after taxation amounted to £451,000 (2018: loss of £1,574,000) as shown in the income statement on page 10. The increase in profit of £2,025,000 is attributable to:

- £1,213,000 increase in fee income;
- £1,116,000 decrease in operating expenses, including foreign exchange gains and losses; and
- £2,000 increase in interest receivable from group undertakings,

partly offset by:

- £306,000 decrease in corporation tax.

Shareholder's equity

Shareholder's equity increased by £451,000 (2018: decreased by £1,574,000) reflecting the net profit after tax for the year as detailed above.

The Directors continue to monitor and review the Company's capital adequacy on a regular basis to ensure that it meets the minimum Threshold Condition requirements set out within the FCA Handbook.

Balance sheet

The balance sheet on page 11 of the financial statements shows the Company's financial position at the year end. Net assets have increased by £451,000 as a result of:

- £3,183,000 net increase in amounts due from group undertakings excluding corporation tax group relief;
- £313,000 increase in amounts due from trade debtors;
- £30,000 increase in net VAT receivable; and
- £7,000 decrease in other creditors.

partly offset by:

- £2,768,000 increase in accruals and deferred income;
- £306,000 decrease in amounts due from group undertakings in respect of corporation tax group relief; and
- £8,000 decrease in prepayments and accrued income.

WTW manages its operations on a business segment basis. For this reason, the Company's directors believe that key performance indicators for the Company are not meaningful for an understanding of the development, performance or position of the business. The performance of WTW, which includes the Company, is discussed in WTW's financial statements which do not form part of this report.

WILLIS TOWERS WATSON SECURITIES EUROPE LIMITED

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

Principal risks and uncertainties

We have been impacted by the COVID-19 pandemic, and may be materially and adversely impacted by it in the future.

Recently, the COVID-19 pandemic has had an adverse impact on global commercial activity, including the global supply chain; and has contributed to significant volatility in financial markets, including, among others, a decline in equity markets, changes in interest rates and reduced liquidity. It has also resulted in increased travel restrictions and extended shutdowns of businesses in various industries including, among others, travel, trade, tourism, health systems and food supply, and significantly reduced overall economic output.

COVID-19 risks could magnify other risks discussed in this report. For example, the effectiveness of external parties, including governmental and non-governmental organizations, in combating the spread and severity of COVID-19 could have a material impact on demand for our business. In addition, steps taken by market counterparties such as (re)insurance carriers to limit their exposures to COVID-19 and related risks could have an impact on their willingness to provide or renew coverage for our clients on historical terms and pricing, which could again impact demand for our business. Coverage disputes arising out of the pandemic could also increase our professional liability risk by increasing the frequency and severity of allegations by others that, in the course of providing services, we have committed errors or omissions for which we should have liability. Also, travel restrictions have caused the postponement or cancellation of various conferences and meetings around the world and adversely impacted sales activity. The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of COVID-19 on our business. Nevertheless, COVID-19 presents material uncertainty and risk with respect to demand for our products and services.

In addition, COVID-19 could materially disrupt our own business operations and the services we provide, as well as the business operations of our clients, suppliers and other third parties with whom we interact. As an increasing percentage of our colleagues work remotely, we face resiliency risks, such as the risk that our information technology platform could potentially be inadequate to support increasing demand, as well as the risk that unusual working arrangements could impact the effectiveness of our operations or controls. In addition, we depend on third-party platforms and other infrastructure to provide certain of our products and services, and such third-party infrastructures face similar resiliency risks. Also, a potential COVID-19 infection of any of our key colleagues could materially and adversely impact our operations. Further, it is possible that COVID-19 impacts processes of third-party vendors on whom we rely, which could also materially impact our operations. The rapidly evolving changes in financial markets could also have a material impact on our own hedging and other financial transactions, which could impact our liquidity. In addition, it is possible that COVID-19 restrictions create difficulty in us meeting our filing or other obligations with the our regulators.

All of the foregoing events or potential outcomes could cause a material adverse effect on our results of operations in any period and, depending on their severity, could also materially and adversely affect our financial condition. In addition, such events and outcomes could potentially impact our reputation with clients and regulators, among others.

Regulatory, Legal and Conduct Risk

The Company is subject to regulation from the FCA in relation to its insurance mediation activities. The FCA has prescribed principles for business and rules by which the Company's operations are to conduct business.

The FCA has three operational objectives:

- Promoting effective competition in the interests of consumers;
- Securing an appropriate degree of protection for consumers; and
- Protecting and enhancing the integrity of the UK financial system.

Central to the regulator's agenda is 'Conduct Risk', which is the risk that a firm's behaviour will result in poor outcomes for customers and adversely impact on the integrity of the market. The Company's failure, or that of its employees, to satisfy the FCA that it is in compliance with their requirements or the legal requirements governing its activities, can result in disciplinary actions, fines, reputational damage and financial harm. We continue to focus on Conduct Risk through the review of appropriate metrics and taking appropriate action as necessary.

WILLIS TOWERS WATSON SECURITIES EUROPE LIMITED

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

Principal risks and uncertainties (continued)

Economic Environment and Competition

Competitive pressure is a continuing reality for the Company, which from time to time may result in it not winning contracts from its clients and potential clients. This may result in difficult to predict and volatile revenues for the Company. The Company manages this risk by actively soliciting business, delivering value to clients and creating appropriate contractual fee structures.

Currency risk (Fx)

The Company has intercompany balances with fellow group undertakings in currencies other than pounds sterling, its functional currency, and is therefore exposed to movements in exchange rates. WTW's treasury function takes out contracts to manage this risk at a group level.

The Company earns its fees in various currencies other than pounds sterling, its functional currency, and is therefore exposed to the movement in exchange rates. WTW's treasury function manages this risk at a group level.

Interest rate risk

The Company is financed by its own monies and has no third party debt. It therefore has no third party interest rate exposure.

Political risk

The Company is also exposed to additional risks by virtue of being part of WTW, including those relating to the United Kingdom having left the European Union on 31 January 2020. During the current transition period, the British government and the European Union continue to negotiate the terms of the United Kingdom's future relationship with the European Union. While many separation issues have been resolved, significant uncertainty remains. These risks have been discussed in WTW's consolidated financial statements which do not form part of this report. The Company does not expect Brexit to have a significant impact on its business during the forthcoming year.

FCA Pillar III Disclosures

Information detailing FCA Pillar III Regulatory Disclosure is available on application to the Company's registered address.

Environment

WTW recognises the importance of its environmental responsibilities and monitors its impact on the environment on a location by location basis, and designs and implements policies to reduce any damage that might be caused by its activities.

Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements on page 16.

Communication with colleagues concerning the objectives and performance of WTW is conducted through staff briefings and regular meetings, complemented by colleague publications and video presentations. Feedback is continually sought from staff on a variety of business, management and human resources issues. These communication tools provide colleagues with the opportunity to contribute to the everyday running of the business, to support the achievement of WTW's vision and business strategy and to facilitate their personal development.

This strategic report was approved by the Board of Directors and authorised for issue on 24 April 2020 and signed on its behalf by:



RE Fitzpatrick
Director
51 Lime Street
London EC3M 7DQ

WILLIS TOWERS WATSON SECURITIES EUROPE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their annual report, together with the audited financial statements, for the year ended 31 December 2019.

Strategic report

The Directors have approved the content of the Company's strategic report prepared in accordance with Section 414C of the Companies Act 2006. The strategic report provides an overview of the Company's activities and an analysis of its performance for the year ended 31 December 2019, along with the principal risks faced in achieving its future objectives, information on financial risk management and information about employees.

Going concern

The directors evaluate at each annual period whether there are conditions or events, considered in the aggregate, that raise a material uncertainty about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued. The Directors' evaluation is based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued.

Recently, the COVID-19 pandemic ('COVID 19') has had an adverse impact on global commercial activity, including the global supply chain; and has contributed to significant volatility in financial markets, including, among others, a decline in equity markets, changes in interest rates and reduced liquidity. It has also resulted in increased travel restrictions and extended shutdowns of businesses in various industries including, among others, travel, trade, tourism, health systems and food supply, and significantly reduced overall economic output.

In light of the potential future disruption to the Company's business operations and those of its clients, suppliers and other third parties with whom it interacts the Directors considered it was appropriate to perform additional procedures and analysis, specific to COVID-19, to consider whether these events and uncertainties cast a material uncertainty upon the Company's ability to continue as a going concern. These additional procedures were carried out as part of a Group wide exercise in conjunction with the ultimate parent company, Willis Towers Watson plc, and considered business resilience and continuity plans, financial modelling, both for the Company and wider Group and stress testing of liquidity and financial resources.

Having assessed the responses to their enquiries, including those related to COVID-19, the Directors have no reason to believe that a material uncertainty exists that may cast significant doubt upon the ability of the Company to continue as a going concern or its ability to repay loans due from time to time. As a consequence of the enquiries the Directors have a reasonable expectation that the Company has appropriate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements on page 13.

Dividends

No interim dividend was paid in the year (2018: £nil). The Directors do not recommend the payment of a final dividend (2018: £nil).

Events after the balance sheet date

On 9 March 2020, Willis Towers Watson plc 'WTW' and AON plc 'Aon' issued an announcement disclosing that the board of directors of WTW and Aon had reached agreement on the terms of a recommended acquisition of WTW by Aon. The transaction is subject to the approval of the shareholders of both WTW and Aon, as well as other customary closing conditions, including required regulatory approvals. The parties expect the transaction to close in the first half of 2021, subject to satisfaction of these conditions.

The Directors have considered the impact of COVID-19 on the Company, which is a non-adjusting post balance sheet event. Assets and liabilities have been measured based on events and conditions at the balance sheet date. It is not practical to provide further quantitative disclosure of the impact of COVID-19 on assets and liabilities.

Employees

It is the Company's and WTW's policy, in keeping with the legislation in the countries in which it operates, to provide a working environment free from all forms of harassment and discrimination, including discrimination against disabled colleagues, with respect to employment continuity, training, career development and other employment practices.

WILLIS TOWERS WATSON SECURITIES EUROPE LIMITED

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

Directors

The current Directors of the Company are shown on page 1, which forms part of this report. MT Hvidsten, JA Byng and RE Fitzpatrick were appointed as Directors of the Company on 11 April 2019, 2 October 2019 and 30 March 2020 respectively. PJ Carter resigned as a Director of the Company on 28 February 2020. There were no other changes in Directors during the year or after the year end.

The activities of the directors are covered by a group-wide Directors and Officers Insurance policy.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

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

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

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to the auditor

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that 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 Section 418 of the Companies Act 2006.

Auditor

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

This Directors' report was approved by the Board of Directors and authorised for issue on 24 April 2020 and signed on its behalf by:



RE Fitzpatrick
Director
51 Lime Street
London EC3M 7DQ

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILLIS TOWERS WATSON SECURITIES EUROPE LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Willis Towers Watson Securities Europe Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILLIS TOWERS WATSON
SECURITIES EUROPE LIMITED (continued)**

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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



Nicholas Bowker ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
24 April 2020

WILLIS TOWERS WATSON SECURITIES EUROPE LIMITED**INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 £000	2018 £000
Turnover	3	1,400	187
Operating expenses		(935)	(1,964)
Operating income / (expense) – foreign exchange gain / (loss)	4	79	(8)
Operating profit / (loss)	4	544	(1,785)
Interest receivable from group undertakings		13	11
Profit / (Loss) before taxation		557	(1,774)
Tax (charge) / credit on profit / (loss)	7	(106)	200
Profit / (Loss) for the year		451	(1,574)

All activities derive from continuing operations.

The notes on pages 13 to 19 form an integral part of these financial statements.

There is no other comprehensive income in either 2019 or 2018.

WILLIS TOWERS WATSON SECURITIES EUROPE LIMITED**BALANCE SHEET AS AT 31 DECEMBER 2019**

	Notes	2019 £000	2018 £000
Current assets			
Debtors: amounts falling due within one year	8	4,435	1,572
Deposits and cash		320	320
		<u>4,755</u>	<u>1,892</u>
Current liabilities			
Creditors: amounts falling due within one year	9	(3,803)	(1,391)
Total assets less current liabilities		<u>952</u>	<u>501</u>
Net assets		<u>952</u>	<u>501</u>
Equity			
Called up share capital	10	3,500	3,500
Retained losses		(2,548)	(2,999)
Shareholder's equity		<u>952</u>	<u>501</u>

The notes on pages 13 to 19 form an integral part of these financial statements.

The financial statements of Willis Towers Watson Securities Europe Limited, registered company number 02908053, were approved by the Board of Directors and authorised for issue on 24 April 2020 and signed on its behalf by:



RE Fitzpatrick
Director

WILLIS TOWERS WATSON SECURITIES EUROPE LIMITED

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

	Called up share capital £000	Retained losses £000	Total equity £000
Balance at 1 January 2018	3,500	(1,425)	2,075
Loss for the year	—	(1,574)	(1,574)
Total comprehensive loss for the year	—	(1,574)	(1,574)
Balance at 31 December 2018	3,500	(2,999)	501
Profit for the year	—	451	451
Total comprehensive income for the year	—	451	451
Balance at 31 December 2019	3,500	(2,548)	952

The notes on pages 13 to 19 form an integral part of these financial statements.

WILLIS TOWERS WATSON SECURITIES EUROPE LIMITED

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

1. General information and accounting policies

General information

The Company is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The registered number and address of the Company's registered office is shown on page 1 of this report.

Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 and, consequently, has prepared these financial statements in accordance with Financial Reporting Standard 101 - Reduced Disclosure Framework ('FRS 101').

The financial statements have been prepared on the historical cost basis.

The principal accounting policies adopted are set out below.

Disclosure exemptions

The Company has taken advantage of certain disclosure exemptions permitted under FRS 101 in relation to, primarily: (i) share-based payment; (ii) financial instruments; (iii) presentation of a cash flow statement; (iv) related party transactions; and (v) new International Financial Reporting Standards ('IFRSs') that have been issued but are not yet effective as, where required, equivalent disclosures are given in the group financial statements of Willis Towers Watson plc.

Going concern

The Company's business activities and the factors likely to affect its future development and position are set out in the Strategic Report. The Company's financial projections indicate that it will generate positive cash flows on its own account for a period of at least twelve months from the date of approval of the financial statements. The Company deposits its excess own cash funds with WTW's centralised treasury function and so shares banking arrangements with its parent and fellow subsidiaries.

In accordance with their duties set out in the Financial Services and Markets Act and the FCA's 'Threshold Condition 2.4 - Appropriate Resources' the Directors have conducted enquiries into the nature and quality of the assets, liabilities and cash that make up the Company's capital. Furthermore, the Directors' enquiries extend to the Company's relationship with WTW and external parties on a financial and non-financial level. Having assessed the responses to their enquiries, the Directors have no reason to believe that a material uncertainty exists that may cast significant doubt upon the ability of WTW to continue as a going concern or its ability to repay loans due to the Company from time to time.

As a consequence of the enquiries the Directors have a reasonable expectation that the Company has appropriate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Parent undertaking and controlling party

The Company's:

- immediate parent company and controlling undertaking is Willis Faber Limited; and
- ultimate parent company is Willis Towers Watson plc, a company incorporated in Ireland, whose registered office is Willis Towers Watson House, Elm Park, Merrion Road, Dublin 4, Ireland.

The largest and smallest group in which the results of the Company are consolidated is Willis Towers Watson plc, whose financial statements are available to members of the public on WTW's website www.willistowerswatson.com, in the Investor Relations section.

Revenue recognition

Fees for arranging investments and derivatives are recognised as the services are provided. Fees that are contingent upon completion of an underlying transaction are recognised at the effective date of transition.

Revenue is stated net of VAT and other sales-related taxes where applicable.

Interest receivable and interest payable

Interest receivable is recognised as interest accrues using the effective interest method.

WILLIS TOWERS WATSON SECURITIES EUROPE LIMITED

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

(continued)

1. General information and accounting policies (continued)

Foreign currency translation

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates ('the Functional Currency').

Transactions in currencies other than the functional currency are initially recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange ruling at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised as profit or loss in the period in which they arise.

Pension costs

WTW has defined benefit pension schemes and defined contribution pension schemes. The legacy Willis UK defined benefit scheme was closed to new entrants in January 2006. New employees are now offered the opportunity to join a defined contribution scheme.

Defined contribution scheme

A defined contribution scheme is a pension scheme under which the Company pays fixed contributions into a separate entity. The Company 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 or prior periods.

The costs of the defined contribution scheme in which the Company participates are charged to the income statement as part of employee costs in the period in which they fall due. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Financial assets and financial liabilities

Financial assets and financial liabilities include cash and cash equivalents, trade debtors and other receivables as well as trade creditors and other payables (including amounts owed to/by group undertakings).

The Company classifies its financial assets as at amortised cost or at fair value through profit or loss, on the basis of the business model in which a financial asset is managed and its contractual cash flow characteristics. The Company classifies its financial liabilities as at amortised cost or at fair value through profit or loss.

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value, except that trade receivables are initially recognised at their transaction price, and are subsequently measured at fair value. Gains or losses arising from changes in fair value through profit and loss are presented in the income statement, within interest income or expense, in the period in which they arise.

Financial assets or financial liabilities at amortised cost are initially recognised at fair value, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, and subsequently measured at amortised cost using the effective interest method. Any resulting interest is recognised in interest receivable or interest payable, as appropriate.

At each reporting date, the Company measures the loss allowance for financial assets at amortised cost. Impairment losses on financial assets at amortised cost are recognised in profit or loss on an expected loss basis: lifetime expected losses are recognised for relevant financial assets for which there have been significant increases in credit risk since initial recognition, whereas 12-month expected losses (cash shortfalls over the life of the loan arising from a default in the next 12 months) are recognised if the credit risk on a financial asset has not increased significantly since initial recognition. For trade receivables, lifetime expected losses are recognised, under the simplified approach. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due and considers a financial asset to be in default when it is more than 90 days past due.

WILLIS TOWERS WATSON SECURITIES EUROPE LIMITED

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

(continued)

1. General information and accounting policies (continued)

Income Taxes

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Recent accounting pronouncements adopted in the current period

The Company did not adopt any new International Financial Reporting Standards ('IFRSs') or interpretations ('IFRICs') issued by the International Accounting Standards Board ('IASB') during the year ended 31 December 2019 and no amendments to IFRSs or International Accounting Standards ('IASs') issued or adopted by the IASB had a significant effect on its financial statements.

2. Critical accounting judgements and estimates

The preparation of financial statements in conformity with FRS 101 and in the application of the Company's accounting policies, which are described in note 1, requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the dates of the financial statements and the reported amounts of revenues and expenses during the year. Judgements, estimates and assumptions are made about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that management has made in the process of applying the Company's accounting policies and/or the key assumptions or sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Critical judgements in applying the Company's accounting policies

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

Key sources of estimation uncertainty

Impairment of financial assets at amortised cost

Management judgement is required to measure the loss allowance for financial assets at amortised cost at the end of each reporting period. See note 8 for the carrying amount of financial assets at amortised cost. No impairment loss was recognised in 2019 or 2018.

WILLIS TOWERS WATSON SECURITIES EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

3. Turnover

The table below analyses the Company's brokerage and fees by the registered company address of the client from whom the business is derived. This does not necessarily reflect the original source or location of the business. Fees are attributable to continuing operations.

	2019 £000	2018 £000
Brokerage and fees		
United Kingdom	179	19
North America	361	—
Rest of the world	860	168
	<u>1,400</u>	<u>187</u>

4. Operating profit / (loss)

	2019 £000	2018 £000
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Operating profit / (loss) is stated after (crediting) / charging

Current service cost of pension schemes:

- defined contribution scheme (note 11) — 64

Net foreign exchange (gain) / loss (79) 8

The foreign exchange gain of £79,000 (2018: loss of £8,000) shown in the income statement is mainly attributable to the fluctuation in the value of Australian dollars, the Euro and US dollars against pounds sterling during the year in relation to intercompany assets and liabilities.

Auditor's remuneration of £15,000 (2018: £15,000) was borne by another group company.

	2019 £000	2018 £000
5. Employee costs		
Salaries and incentives	—	1,184
Social security costs	—	89
Pension costs - defined contribution scheme (note 11)	—	64
Net employee costs	<u>—</u>	<u>1,337</u>

	2019 Number	2018 Number
Number of employees – average for the period		
Producer	—	6
Management/administration services	—	1
	<u>—</u>	<u>7</u>

During 2018, the mergers and acquisitions advisory element of the business was placed into run-off, with the associated staff being made redundant effective 1 January 2019. Employees engaged in the Broker Dealer Business are employed by another Group subsidiary hence the Company had no employees throughout 2019.

WILLIS TOWERS WATSON SECURITIES EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

	2019 £000	2018 £000
6. Directors' remuneration		
Emoluments (excluding pension contributions, benefits and long-term incentive awards)	—	442
Pension contributions	—	17
	<u>—</u>	<u>459</u>
Highest paid Director:		
Emoluments (excluding pension contributions, benefits and long-term incentive awards)	—	442
Pension contributions	—	17
	<u>—</u>	<u>459</u>

No Directors were eligible for defined benefit pension schemes, exercised share options or received shares under the long-term incentive plan in 2019 or 2018.

The Directors working for the Company in 2019 and 2018 are employed by other subsidiary undertakings of Willis Towers Watson plc.

In 2019, all Directors were remunerated by other group companies with no part of their remuneration allocated to the Company. As such no disclosure of their remuneration has been made.

The remuneration for 2018 represents the costs of one Director, and excludes the costs of share-based payment schemes which are borne in other group companies. The remaining Directors were remunerated by other group companies with no part of their remuneration allocated to the Company. As such no disclosure of their remuneration has been made.

	2019 £000	2018 £000
7. Tax charge/(credit) on profit/(loss)		
<i>(a) Analysis of charge/(credit) for the year</i>		
Current tax:		
UK corporation tax	106	(334)
Adjustments in respect of prior periods	—	134
Tax charge/(credit) in the income statement (note 7(b))	<u>106</u>	<u>(200)</u>
	2019 £000	2018 £000

(b) Reconciliation of the total tax charge/(credit)

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

Profit/(loss) before taxation	557	(1,774)
Tax calculated at UK standard rate of corporation tax of 19% (2018: 19%)	106	(337)
Effects of:		
Amounts not deductible for tax purposes	—	3
Tax underprovided in previous years	—	134
Total tax charge/(credit) in the income statement (note 7(a))	<u>106</u>	<u>(200)</u>

WILLIS TOWERS WATSON SECURITIES EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

7. Tax charge/(credit) on profit/(loss) (continued)

(c) Change in corporation tax rate

The Finance (No.2) Act 2015, which received royal assent on 18 November 2015, reduced the rate of UK Corporation tax to 19% with effect from 1 April 2017 with a further reduction to 18% from 1 April 2020. The Finance Act 2016, which received royal assent on 15 September 2016, subsequently reduced the main rate of corporation tax from 18% to 17% from 1 April 2020. As the changes were substantively enacted prior to 31 December 2019, they have been reflected in these financial statements.

	2019	2018
	£000	£000
8. Debtors: amounts falling due within one year		
<i>Amounts falling due within one year:</i>		
Trade debtors	392	79
Amounts owed by group undertakings	4,007	1,279
Prepayments and accrued income	—	8
Amounts owed by group undertakings in respect of UK corporation tax	—	200
VAT	36	6
	4,435	1,572

Trade debtors are presented net of impairment.

	2019	2018
	£000	£000
9. Creditors: amounts falling due within one year		
Amounts owed to group undertakings	569	1,024
Amounts owed to group undertakings in respect of UK corporation tax	106	—
Other creditors	—	7
Accruals and deferred income	3,128	360
	3,803	1,391

	2019	2018
	£000	£000
10. Called up share capital		
Allotted, called up and fully paid		
3,500,000 (2018: 3,500,000) ordinary shares of £1 each	3,500	3,500

The Company has one class of ordinary shares which carry no right to fixed income.

11. Pensions

The Company has operated a defined contribution scheme, for which the pension cost charge for the year amounted to £nil (2018: £64,000).

12. Related party transactions

FRS 101 (paragraph 8(k)) exempts the reporting of transactions between group companies in the financial statements of companies that are wholly owned within WTW. The Company has taken advantage of this exemption. There are no other transactions requiring disclosure.

WILLIS TOWERS WATSON SECURITIES EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

13. Events after the balance sheet date

On 9 March 2020, Willis Towers Watson plc 'WTW' and AON plc 'Aon' issued an announcement disclosing that the board of directors of WTW and Aon had reached agreement on the terms of a recommended acquisition of WTW by Aon. The transaction is subject to the approval of the shareholders of both WTW and Aon, as well as other customary closing conditions, including required regulatory approvals. The parties expect the transaction to close in the first half of 2021, subject to satisfaction of these conditions.

The Directors have considered the impact of COVID-19 on the Company, which is a non-adjusting post balance sheet event. Assets and liabilities have been measured based on events and conditions at the balance sheet date. It is not practical to provide further quantitative disclosure of the impact of COVID-19 on assets and liabilities.
