WILLIS LIMITED

Registered Number 00181116

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

Directors

Executive Directors

Nicolas Aubert	
Catherine Roy	
Alastair JP Swift	
Eloise M Martin	(resigned 17 April 2019)
Peter J Carter	
James E Kent	(appointed 11 January 2018)
Richard J Vanner	(appointed 16 April 2019)

Non-executive Directors

Rodney P Baker-Bates (Chairman)
Sarah J Turvill
Rosemary Hilary
James H Willens
Peter A Shaw
Dr Brendan R O'Neill

Company Secretary

Marcus P Dowding

Registered Office

51 Lime Street
EC3M 7DQ
London

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

WILLIS LIMITED

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WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Company activities and review of developments

The Company's business model

Willis Limited (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.

As an insurance broker, we act as an intermediary between our clients and insurance carriers by advising our clients on their risk management requirements, helping them to determine the best means of managing risk and negotiating and placing insurance with insurance carriers through our global distribution network.

We offer our clients a broad range of services to help them to identify and control their risks, and to enhance business performance by improving their ability to attract, retain and engage a talented workforce. Our risk control services range from strategic risk consulting (including providing actuarial analysis), to a variety of due diligence services, to the provision of practical on-site risk control services (such as health and safety or property loss control consulting), as well as analytical and advisory services (such as hazard modelling and reinsurance optimization studies). We assist clients in planning how to manage incidents or crises when they occur. These services include contingency planning, security audits and product tampering plans. We help our clients enhance their business performance by delivering consulting services, technology and solutions that help them anticipate, identify and capitalise on emerging opportunities in human capital management, as well as offer investment advice to help them develop disciplined and efficient strategies to meet their investment goals.

We are not an insurance company and therefore we do not underwrite insurable risks for our own account.

Our colleagues serve a diverse base of clients ranging in size from large, major multinational corporations to middle-market companies in a variety of industries, public institutions and individual clients. Many of our client relationships span decades. We work with established corporations, emerging growth companies, governmental agencies and not-for-profit institutions in a wide variety of industries. We believe we are one of only a few global advisory, broking and solutions companies in the world possessing the global operating presence, broad product expertise and extensive distribution network necessary to effectively meet the global needs of many of our clients.

The Company is regulated by the Financial Conduct Authority ('FCA') and is domiciled and incorporated in the UK. As at 31 December 2018, the Company had branches in the following European Economic Area member states other than the UK: Belgium; France; The Netherlands; and Spain. In addition, the Company has a branch in the United Arab Emirates.

There have been no significant changes in the Company's principal activities in 2018. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year, other than in the eventuality of a 'hard-Brexit', which would necessitate the Company transferring its EU Client portfolio and certain Reinsurance portfolios to a fellow group subsidiary operation domiciled in the EU, as discussed in 'Principal risks and uncertainties' below.

During 2018, the activities of the business segments for WTW and the Company were as follows:

<u>Human Capital and Benefits</u>

The Willis Towers Watson Human Capital & Benefits ('HCB') segment provides an array of advice, broking, solutions and software for employee benefit plans, the human resources organisations and management teams of our clients. Within this segment, the Company provides insurance broking services.

<u>Corporate Risk and Broking</u>

The Willis Towers Watson Corporate Risk & Broking ('CRB') segment provides a broad range of risk advice, insurance brokerage and consulting services to clients worldwide ranging from small businesses to multinational corporations. The segment delivers integrated global solutions tailored to client needs and underpinned by data and analytics.

CRB operates as an integrated global team comprising both functional and geographical leadership. In addition, there are three global offerings, which aim to leverage capabilities across geographies. In these operations, we have extensive specialised experience handling diverse lines of coverage, including complex insurance programs. A key objective is to assist clients in reducing their overall cost of risk.

Company activities and review of developments (continued)

The Company's business model (continued)

Corporate Risk and Broking (continued)

Property and Casualty - Property and Casualty provides property and liability insurance brokerage services across a wide range of industries including construction, real estate, healthcare and natural resources. Our construction practice provides risk management advice and brokerage services for a wide range of international construction activities. Clients of the construction practice include contractors, project owners, project managers, consultants and financiers. Our natural resources practice encompasses the oil and gas, mining, power and utilities sectors; and provides services for both the onshore and offshore assets of our global clients. In addition, we also arrange insurance products and services for our affinity client partners to offer to their customers, employees or members alongside, or in addition to, their principal business offerings.

Financial Lines - Financial Lines specialises in brokerage services for financial, political and credit risks. Our clients include financial institutions, professional services firms and affinity groups from around the globe that require coverage for areas ranging from business risks, such as trade credit, directors and officers and medical malpractice, to external threats, such as cyber attacks, terrorism and creditor payment protection.

Transport - Transport provides specialist expertise to the transportation, aerospace, marine and inspace industries. Our aerospace business provides insurance brokerage and risk management services to aerospace clients worldwide, including the world's leading airlines, aircraft manufacturers, air cargo handlers and other airport and general aviation companies. Our marine business provides insurance brokerage services related to hull and machinery, cargo, protection and indemnity and general marine liabilities. Our marine clients include ship owners, ship builders, logistics operations, port authorities, traders and shippers. The specialist inspace team is also prominent in providing insurance and risk management services to the space industry.

Facultative capabilities exist within each of the above offerings to serve as a broker or intermediary for insurance companies looking to arrange reinsurance solutions across various classes of risk. This allows our team of experts to deliver differentiated outcomes to their direct insureds, which in many situations are also clients of the wider WTW business. The facultative team also works closely with our treaty reinsurance business to structure reinsurance solutions that deliver capital and strategic benefits to insurance company clients.

Investment, Risk and Reinsurance

The Willis Towers Watson Investment, Risk and Reinsurance ('IRR') segment uses a sophisticated approach to risk which helps clients free up capital and manage investment complexity. The segment works closely with investors, reinsurers and insurers to manage the equation between risk and return. Blending advanced analytics with deep institutional knowledge, IRR identifies new opportunities to maximise performance. IRR provides investment consulting and discretionary management services and insurance specific services through reserves opinions, software, ratemaking, risk underwriting, and reinsurance broking. The Company's results include part of the reinsurance business within the IRR segment.

Strategy

The Company's strategy is aligned to the WTW strategy, which is based on the belief that a unified approach to people and risk yields growth for our clients. Our integrated teams bring together our understanding of risk strategies and market analytics. This helps clients around the world to achieve their objectives.

Company activities and review of developments (continued)

Strategy (continued)

We operate in attractive markets - both growing and mature - with a diversified platform across geographies, industries, segments and lines of business. We aim to be the premier advisory, broking and solutions company of choice. We design and deliver solutions that manage risk, optimise benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. We also help organisations improve performance through effective people, risk and financial management by focusing on providing human capital and financial consulting services.

We believe we achieve this by:

- delivering a powerful client proposition with an integrated global platform. Our combined offerings provide comprehensive advice, analytics, specialty capabilities and solutions covering benefits, benefits delivery solutions, brokerage and advisory, risk and capital management, and talent and rewards;
- leveraging our combined distribution strength and global footprint to enhance market penetration and provide a platform for further innovation; and
- underpinning this growth through continuous operational improvement initiatives that help make us more effective and efficient and drive cost synergies. We do this by:
  - continuing to modernise the way we run our business to better serve our clients, developing the skills of our staff, and lowering our costs of doing business;
  - making the necessary changes to our processes, our IT, our real estate and our workforce locations; and
  - targeting and delivering identified, highly achievable, cost savings.

We care as much about how we work as we do about the impact that we make. This means commitment to shared values, a framework that guides how we run our business and serve clients.

Through these strategies WTW aims to accelerate revenue, cash flow, earnings before interest, taxes, depreciation and amortisation ('EBITDA') and earnings growth and generate compelling returns for investors by delivering tangible growth in revenues and capitalising on the identified cost synergies.

Financial Results for the Year Ended 31 December 2018

The Company's key financial and other performance indicators during the year were as follows:

	2018	2017	Movement	% Change
	$m	$m	$m	
Turnover	954	903	51	6%
Operating expenses - excluding foreign exchange	(753)	(758)	5	1%
Profit before taxation	161	161	—	—%
Shareholders' equity	1,256	1,255	1	—%
Current Assets as % of Current Liabilities	136%	130%		
Average number of employees	3,244	3,243		

WTW manages its operations on a business segment basis. For this reason, the Company's directors believe that aggregated 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.

Company activities and review of developments (continued)

Financial Results for the Year Ended 31 December 2018 (continued)

In 2018, the Company's turnover was $954 million, a $51 million (6%) increase on 2017 ($903 million). Underlying commissions and fees increased by $44 million as a result of:

- $10 million increased revenues in our Reinsurance business from positive net new business growth;
- $9 million growth in natural resources revenues benefitting our International business;
- $4 million reported growth in our Corporate Risk and Broking business operating in Great Britain, with single digit growth in Property & Casualty and Financial Lines businesses, partly offset by a reduction in our Transportation businesses following changes in certain commission arrangements;
- $3 million additional revenues from our HCB business in 2018 following the purchase of the employee benefits book of business from the fellow group company Willis Employee Benefits Limited on 1 April 2017; and
- $19 million of favourable transactional foreign exchange movements on commission and fee income,

partly offset by

- $1 million lower income from Corporate and other segments.

Total revenues were also impacted by:

- $5 million higher investment income returns on fiduciary cash balances held; and
- $2 million of other income in respect of a legal settlement.

Operating expenses excluding foreign exchange of $753 million were $5 million lower than in 2017. Underlying salaries and benefits costs reduced year over year, with lower salary and incentive charges in relation to CRB businesses (particularly in respect of International geographies) and Corporate and other segments, with Reinsurance largely flat on prior year, partly offset by one-off past service costs of the defined benefit pension scheme arising from gender benefit harmonisation. Salary costs are predominantly incurred in pounds sterling, and salary and benefits expenses were favourably affected by the impact of foreign exchange. Other operating expense decreases were attributable to reduced WTW cost recharges, lower depreciation and modest underlying decreases across CRB and Reinsurance businesses, partly offset by an adverse impact from transactional foreign exchange.

Profit before tax of $161 million was unchanged compared to prior year. As noted above, turnover was up $51 million versus the prior year and operating expenses $5 million lower, totalling a $56 million increase to operating profit. Offsetting this were:

- a significant $67 million adverse movement in translational foreign exchange attributed to a weakening of sterling in the year,

partly offset by

- additional interest receivable of $6 million;
- a charge in 2017 in respect of the Operational Improvement Plan in its final year, contributing a $4 million favourable year on year variance; and
- the non-repeat of losses on disposal of books of business in 2017, contributing a $1 million favourable year on year variance.

Profit after tax of $138 million is a $12 million increase on 2017 (2017: profit of $126 million), with no change in profit before tax of $161 million, but partly offset by a $12 million decrease in the total tax charge.

Company activities and review of developments (continued)

Financial Results for the Year Ended 31 December 2018 (continued)

Key Performance Indicators

Key performance indicators that are applicable to the Company include:

- *Growth through new business*: The value of new renewable business expressed as a percentage of the total revenue for the period under review;
- *Retention rate*: The rate at which we retain renewable business clients expressed as a percentage of revenue available for renewal;
- *Sales pipeline coverage:* The rate at which our sales pipelines cover our new business targets. We measure these on a net (adjusting for expected conversion rates) and gross basis;
- *Salaries and benefits as a percentage of revenue:* The value of our salary and benefits, including incentives, expense expressed as a percentage of revenue in the same period.

Shareholder's Equity and Other Resources

Shareholder's equity rose by $1 million to $1,256 million, reflecting increases from:

- $138 million net profit after tax as described above;
- $25 million following adoption of IFRS 15;
- $9 million deferred tax increase to equity attributed primarily to other comprehensive income movements on the pension scheme net asset;
- $6 million unrealised gain relating to the fair value of derivative instruments (forward currency sales) following movements in the value of the pound sterling, Euro and Japanese Yen to the US dollar during the year;
- $4 million foreign currency translation gain on components of other comprehensive income; and
- $1 million equity-settled share based payments,

partly offset by:

- $124 million dividend payment on 31 July 2018; and
- $58 million actuarial loss on the defined benefit pension scheme, with a $145 million reduction in scheme assets following lower asset returns, together with actuarial experience losses of $35 million, partly offset by an $122 million reduction to scheme liabilities attributable primarily to a change in actuarial financial assumptions in the year.

The Directors review the adequacy of the Company's capital relative to the risks it faces on a regular basis.

The Company's $20 million revolving credit facility, taken out in 2010 and renewed annually, is secured against the Company's real estate assets. It was not drawn upon during 2018 or 2017.

Company activities and review of developments (continued)

Balance Sheet

The balance sheet on page 27 of the financial statements shows the Company's financial position at the year end. Net assets have increased by $1 million as a result of:

- $82 million decrease in fiduciary creditors;
- $46 increase in prepayments and other debtors;
- $39 reduction in accruals and deferred income
- $9 million increase in the remaining net intercompany debtor balance;
- $7 million reduction in the net liability of the fair value of derivative instruments; and
- $1 million reduction in provisions,

partly offset by:

- $71 million decrease in the net defined benefit pension asset;
- $51 million decrease in deposits and cash held in bank, comprising $82 million reduction in cash held in a fiduciary capacity and $31 million increase in own cash held;
- $25 million increase in trade and other creditors;
- $29 million decrease in trade debtors;
- $3 million reduction in deferred tax asset;
- $2 million reduction in goodwill and other intangibles; and
- $2 million reduction in other fixed assets.

Developments During the Year

On 11 July 2018 the Company reached agreement with a competing company concerning the acts and/or omissions of the competitor and certain other parties following the recruitment of a number of company employees and the appropriation of business from the Company's Insolvency practice. As part of the agreement the competing company agreed to pay to the Company the sum of £1.4 million ($1.8 million).

Defined Benefit Pension Scheme

Schedule of contributions

On 30 March 2018, The Company agreed to a revised schedule of contributions towards on-going accrual of benefits and deficit funding contributions which the Company will make to the UK Plan to the end of 2024, commencing on 1 April 2018.

The previously agreed contribution levels applied during 2017 and the period to 31 March 2018. Total contributions in 2018 were approximately $50 million, being deficit funding contributions of approximately $32 million and on-going contributions of approximately $18 million.

Deficit funding contributions in 2019 will total approximately $32 million. Annual Legacy Willis Group deficit funding contributions will remain at approximately $32 million to 2024 after which it is expected that contributions will cease. With regards to the annual deficit funding contributions payable from 2021, the Company and the Trustee will seek to reach agreement over the payment being made to a Reservoir Trust arrangement as well as the circumstances governing that arrangement.

Future Developments

There are no other significant future developments as at the date of these financial statements, other than the uncertainty surrounding Brexit, as referred to in 'Principal risks and uncertainties'.

Capital policy

As an insurance intermediary regulated by the Financial Conduct Authority ('FCA'), the Company's capital requirements are set out in both the Threshold Conditions and MIPRU requirements within the FCA Handbook. The Company's policy is to review its capital requirements on a regular basis and to maintain capital resources of at least twice that requirement.

Company activities and review of developments (continued)

Principal risks and uncertainties

The Company has an Enterprise Risk Management Committee that meets at least quarterly. This Committee is a Committee of the Board and advises the Board on risk matters including the assessment of risk appetite and monitoring of risk against that appetite.

The principal risks and uncertainties facing the Company are:

Change Risk

WTW and the Company have recently undergone several significant business and organisational changes, including the merger of Willis and Towers Watson, as well as multi-year operational improvement programmes. There are also a number of other initiatives planned or ongoing to transform our processes and gain efficiencies. Effectively managing these organisational changes is critical to retaining talent, servicing clients and our business success overall. The failure to effectively manage such risks could adversely impact our resources or business or financial results. The Company manages this risk through robust change governance processes, mechanisms to retain key colleagues, delivery of the planned operational improvement programme benefits and through ongoing monitoring of key performance indicators designed to provide early notice of declining performance. The Company has a robust approach to change management and the relevant governance forums are utilised to consolidate activity and monitor and adjust that activity to reflect the resource and change capability available from time to time.

Exposure to WTW

The Company is a wholly-owned subsidiary of WTW. WTW is a leading global advisory, broking and solutions company, is listed on the NASDAQ and has total assets at 31 December 2018 of US$32.4 billion.

The Company is dependent upon its ultimate parent company and WTW for ongoing support in a wide range of areas, including the provision of operational and technology services and delivery of a number of key projects and initiatives. The Company also deposits surplus funds with WTW.

WTW is dependent upon the Company for its access to the London Insurance Market and related expertise. The Directors expect the support from WTW to continue for the foreseeable future.

The Company is exposed to additional risks by virtue of being part of the wider group. These risks have been discussed in WTW's financial statements which do not form part of this report.

The Board considers the Company's exposure to WTW when setting the Company's capital requirement and risk appetite. The Company maintains and regularly refreshes a detailed response plan to provide a framework to enable the timely notification, invocation and management of the initial response to a Parental Failure scenario through documented processes.

Economic Environment and Competition

The markets for our principal services are highly competitive. Competition for business is intense in all of our business lines and in every insurance market, and some competitors have greater market share in certain lines of business than we do. Some of our competitors have greater financial, technical and marketing resources than us, which could enhance their ability to finance acquisitions, fund internal growth and respond more quickly to professional and technological changes. New competitors, as well as increasing and evolving consolidation or alliances among existing competitors, could create additional competition and significantly reduce our market share, resulting in a loss of business for us and a corresponding decline in revenue and profit margin. In order to respond to increased competition and pricing pressure, we may have to lower our prices, which would also have an adverse effect on our revenue and profit margin.

We expect that the challenging economic circumstances and resulting competition will remain for the foreseeable future. A further softening of insurance and reinsurance rates given excess capacity in the market also has the potential to place further pressure on revenues. We mitigate the risk through our focus on service, product quality and pricing. The Company continues to monitor both regulatory and market developments, and adapt its model to both threats and new opportunities accordingly. Economic conditions also continue to provide challenges relating to the security of carriers; the Company mitigates the risk of the failure of a major (re)insurer through its Market Security monitoring, policies and procedures, and through using a large number of carriers globally.

Principal risks and uncertainties (continued)

Acceptance of Market derived income ('MDI').

Willis Limited, in common with the wider insurance intermediary market, has traditionally been remunerated by base commissions paid by insurance carriers in respect of placements we make for clients, or by fees paid by clients. We also obtain other revenue from insurance carriers. This revenue, when derived from carriers in their capacity as insurance markets (as opposed to as corporate clients of the intermediaries where they may be purchasing insurance or reinsurance or other non-market related services), is commonly known as market derived income or 'MDI'. MDI is an area in which allegations of conflicts of interest may arise, where the Company or any of its employees has or may have an interest in a transaction or engagement that is inconsistent with our clients' interests. MDI takes a variety of forms, including volume- or profit-based contingent commissions, facilities administration charges, business development agreements, and fees for providing certain data to carriers.

Willis Limited has a duty to act in the best interests of their clients and the Company has processes, procedures and controls in place intended to mitigate potential conflicts overseen by the Market Derived Income Committee.

Pension Risks

The Company's defined benefit pension scheme was closed to new members in January 2006 but continues to accrue future benefits for existing members. Under Financial Report Standard 101, Reduced Disclosure Framework ('FRS 101'), the net asset recorded within the financial statements in respect of the pension scheme fund is $489 million (net of tax) (2017: $560 million). The liabilities of the pension scheme, and a large proportion of the assets of the scheme, are denominated in pounds sterling, which gives exposure to currency risks. The scheme valuation is subject to assumptions and other factors, including equity and bond market returns, inflation rates, mortality assumptions, potential regulatory and legal changes and counterparty exposure in investments.

The last actuarial funding valuation of the scheme performed as at 31 December 2016, showed a deficit of £207 million ($280 million). Pension risks are mitigated through a balanced approach to investments held and a proactive relationship with the Scheme Trustee, including an agreed funding strategy

Errors and Omissions Exposures

As a consequence of the business sector the Company operates in, claims alleging professional negligence may be made against the Company. Some of these claims may have a material adverse impact on the Company's profitability, cash and capital position. The Company mitigates this risk through the use of the Willis Excellence Model, which is designed to provide a consistent high level of service and quality to the Company's clients. In addition, the Company has taken out its own programme of insurance cover in respect of these risks.

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 insurance and reinsurance operations are to conduct business, including the rules governing how the Company holds client assets.

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. Any failure by the Company, or its employees, to satisfy the FCA that it is in compliance with their requirements or the legal requirements governing its activities, could result in disciplinary actions, fines, reputational damage and financial harm. In addition, the Senior Managers and Certification Regime ('SMCR') will become effective in December 2019. The SMCR is designed to drive improvements in culture and governance within financial services firms and to deter misconduct by increasing individuals' accountability. We continue to focus on Conduct Risk through the review of appropriate metrics and taking appropriate action as necessary.

Principal risks and uncertainties (continued)

Regulatory, Legal and Conduct Risk (continued)

The Company is also subject to rules and legislation governing money laundering, bribery and corruption, sanctions and competition. The Company has established procedures to ensure that it is in compliance with these rules. However, should the Company fail to comply with the requirements, this failure may result in disciplinary actions, fines, reputational damage and financial harm. These rules and legislation impact the Company's global operations. From time to time the rules and legislation are subject to change which may impact the Company's operations.

To mitigate these risks the Company's Legal, Risk and Compliance departments have established a framework to ensure compliance with all applicable regulatory requirements, which include detailed guidance on the standards to which colleagues must adhere. Reviews and audits of compliance with this guidance are carried out on a regular basis by both the Compliance and Internal Audit departments.

Liquidity Risk

Liquidity risk is the risk that the Company may not have sufficient cash available to meet its obligations as they fall due. The Company assesses the potential scenarios in which this might take place and maintains significant cash and liquid funds to mitigate the risk. In the ordinary course of business the Company can also rely on WTW's liquidity. In addition, the Company has access to a $20 million credit facility.

Currency Risk (Fx)

The Company conducts its business in multiple currencies, primarily US dollars, pounds sterling, Euro and Japanese Yen, and is therefore exposed to currency risk in relation to revenue and the value of its assets and liabilities. The Company has intercompany balances with fellow group undertakings in currencies other than US dollars, the primary functional currency of the Company, and is therefore exposed to movements in exchange rates. The Board has established and monitors a policy with clear limits and processes to be followed to manage this risk. In addition, WTW's treasury function takes out contracts to manage this risk at a group level.

Credit Risk

Credit risk is the risk that counterparties may not be able to repay amounts in full when due. This risk arises in respect of amounts due from clients and insurers in respect of brokerage not yet received, funded claims and funded premiums. It also arises in respect of its cash and investment holdings. The Company is also potentially exposed to credit risk from its investments in its subsidiary undertakings. An impairment allowance would be made if there were to be an identified loss event which would evidence a potential reduction in the recoverability of the cash flows. No such event has been identified.

Brokerage not yet received is monitored closely to minimise the time taken to collect. The risk of funded claims and premiums is mitigated by the Company's policy of only funding claims and premiums in exceptional circumstances and then through active collection of the debts created.

The failure of one or more banks may have an adverse impact on the Company. The Company holds its own and fiduciary cash in bank accounts and deposits and money-market funds. These accounts and deposits are spread across a number of banks. The Company does not place any funds in banks with a credit rating below Fitch Short Term F1. Banks with which the Company has a credit exposure are monitored monthly. In the event of a bank failure, the FCA's Client Asset Sourcebook ('CASS') rules set out the mechanism by which any loss of client money should be administered. The Company has reviewed its processes for complying with these rules and continues to implement changes to further strengthen them. The Company mitigates its exposure to credit risk through the diversification of funds between approved banks and through a programme of reduction of fiduciary balances where possible.

The Board has established and monitors a policy with clear limits and processes to be followed to manage these risks.

Interest Rate Risk

The Company's investment portfolio is held over a variable maturity profile and therefore exposes the Company to interest rate risk. The Company mitigates this risk through active investment portfolio management.

Principal risks and uncertainties (continued)

Business & Technology Interruption Risk

The Company conducts its business in multiple locations across the world. The most significant of these are in London and Ipswich (United Kingdom), and Delhi and Mumbai (India). In addition, the Company relies on significant Group operations in Nashville (USA). These locations may be subject to natural and man-made catastrophes which may disrupt the Company's operations. The Company mitigates this risk through the documentation and testing of Business Continuity Plans, which include establishment of backup operational sites and procedures for re-establishment of operations. The Company maintains appropriate insurance cover for business interruption events.

The Company has established a control framework around the provision of IT services which aims to address these risks. These controls are subject to ongoing review and testing.

Data Security Risk

We depend on information technology networks and systems to process, transmit and store electronic information and to communicate among our locations around the world and with our alliance partners, insurance carriers/ markets and clients. One of our significant responsibilities is to maintain the security and privacy of our clients' confidential and proprietary information and the personal data of their customers and/or employees. Our information systems, and those of our third-party service providers and vendors, are vulnerable to an increasing threat of continually evolving cybersecurity risks. Computer viruses, hackers, distributed denial of service attacks, malware infections, ransomware attacks, phishing and spear-phishing campaigns and other external hazards, as well as improper or inadvertent staff behaviour, could expose confidential company and personal data systems and information to security breaches.

Many of the software applications that we use in our business are licensed from, and supported, upgraded and maintained by, third-party vendors. Our third-party applications include enterprise cloud storage and cloud computing application services provided and maintained by third-party vendors. These third-party applications store confidential and proprietary data of both the Company and our clients. We have processes designed to require third-party IT outsourcing, offsite storage and other vendors to agree to maintain certain standards with respect to the storage, protection and transfer of confidential, personal and proprietary information. However, we remain at risk of a data breach due to intentional or unintentional non-compliance by a vendor's employee or agent, the breakdown of a vendor's data protection processes, or a cyber-attack on a vendor's information systems. Further, the potential impact of a data breach of our third-party vendors' systems increases as we move more of our and our clients' data into our vendors' cloud storage, we engage in IT outsourcing or we consolidate the group of third-party vendors that provide cloud storage or other IT services for the Company.

We maintain policies, procedures and technological safeguards designed to protect the security and privacy of our information. However, we cannot entirely eliminate the risk of data security breaches, improper access to or disclosure of confidential company or personally identifiable information. Our technology could fail to adequately secure the private information we hold and protect it from theft, computer viruses, hackers or inadvertent loss. In such circumstances, we could be held liable to our clients, which could result in legal liability or impairment to our reputation, resulting in increased costs and/or loss of revenue.

We have implemented and regularly review and update processes and procedures to protect against fraud or unauthorised access to or use of secured data and to prevent data loss. The ever-evolving threats mean that we and our third-party service providers and vendors must continually evaluate, adapt, enhance and otherwise improve our respective systems and processes, especially as we grow our mobile, cloud and other internet-based services. There is no guarantee that such efforts will be adequate to safeguard against all fraud, data security breaches, operational impacts or misuses of data. For example, our policies, employee training (including phishing prevention training), procedures and technical safeguards may be insufficient to prevent or detect improper access to confidential, personal or proprietary information by employees, vendors or other third parties with otherwise legitimate access to our systems. Any future significant compromise or breach of our data security or fraud, whether external or internal, or misuse of client, colleague, supplier or company data, could result in additional significant costs, lost revenue opportunities, fines, lawsuits, and damage to our reputation with our clients and in the broader market.

Principal risks and uncertainties (continued)

Political Risk

The Company has operations and generates income across a large number of countries which may be or become subject to economic or political instability. The Company manages this risk through ongoing monitoring of the economic and political situation in these geographies and benefits from its geographic diversification in mitigating the risk.

Management has considered the UK referendum vote on 23 June 2016 to depart from the European Union (the 'EU'), the triggering of Article 50 of the Treaty of Lisbon (providing the right to and procedures for a member to leave the EU) on 29 March 2017 and the uncertainties about the near-term and longer-term effects of Brexit on the Company. The terms of Brexit, and its impact, are highly uncertain.

At this time, we are not able to predict the impact that Article 50 will have on the economy; economic, regulatory and political stability; or on market conditions in Europe, including in the UK, or on pounds sterling, Euro or other European currencies. However, any such impacts and others we cannot currently anticipate could materially adversely affect us and our operations. Among other things, we could experience lower growth due to indecision as businesses delay investment or purchasing decisions.

The British government and the EU continue to negotiate the terms of the UK's future relationship with the EU. While many separation issues have been resolved, significant uncertainty remains. It is also possible that Brexit does not occur and that the UK decides not to exit the EU at all; or that the UK exits the EU in a potentially disruptive manner, with no agreed future relationship between the EU and the UK. Although we cannot anticipate what those terms will be, they may result in greater restrictions on business between the UK and EU countries and increased regulatory complexities. There is also uncertainty regarding how the UK's access to the EU Single Market and the wider trading, legal, regulatory, tax and labour environments, especially in the UK and EU, will be impacted, including the resulting impact on our business and that of our clients. Any such changes may adversely affect our operations and financial results. For example, any changes to the passporting or other regulations relating to doing business in various EU countries by relying on a regulatory permission in the UK (or doing business in the UK by relying on a regulatory permission in an EU country) could increase our costs of doing business, or our ability to do so. As another example, changes in employment law may impact the ability to hire and retain non-UK staff in the UK or UK staff in the EU. In addition, the outcome of the referendum has created uncertainty with regard to the regulation of data protection in the UK. A change in such regulations, or other regulations, could increase our costs of doing business, or in some cases our ability to do business, and adversely impact our operations and financial results.

In addition, the risk of a 'hard-Brexit' remains; that is, that the UK will leave the EU without formal terms for its withdrawal as well as their future relationship. We have planned for a worst-case hard-Brexit, and remain in the process of establishing appropriate arrangements for the continued servicing of client business under that scenario. These arrangements include the transaction of certain businesses and/or the movement of certain businesses outside of the UK. This would necessitate the Company transferring its EU Client portfolio and certain Reinsurance portfolios to a fellow group subsidiary operation domiciled in the EU.

Outsourcing Risk

As part of providing services to clients and managing our business, we rely on a number of third-party service providers. Our ability to perform effectively depends in part on the ability of these service providers to meet their obligations, as well as on our effective oversight of their performance. The quality of our services could suffer or we could be required to incur unanticipated costs if our third-party service providers do not perform as expected or their services are disrupted. This could have a material adverse effect on our business operations. The Company manages this risk through processes of supplier and partner selection, onboarding and an ongoing programme of monitoring and review to ensure that our outsource partners remain appropriate.

Environment

The Company recognises the importance of its environmental responsibilities and through WTW 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. We participate in The Clean City Awards, a programme developed and run by the City of London to promote and reward best practices in waste management for London businesses. Our registered office in Lime Street has been awarded Platinum status since 2012.

The below illustrates some notable activities that are further helping reduce our environmental impact across WTW:

- Reduced paper use and increased recycling have been a focus for several years throughout the Group. This has included a focus on reducing print volumes, and therefore paper and equipment usage, by implementing print on demand technology and scanning capabilities and by offering fewer printers in office space. We have also increased the availability (and use) of online meeting and records management tools that reduce their overall reliance on paper based materials. This has resulted in our ability to reduce paper consumption while also recycling several million pounds of paper each year;
- We encourage our colleagues to participate in office-based recycling programmes and paperless recordkeeping, our offices to replace personal printers with networked multi-function devices and procure recycled supplies, and our IT programmes to ensure proper disposal and recycling of obsolete computer equipment;
- We raise awareness for and provide information about environmental sustainability and corporate social responsibility to our colleagues through internal news stories, communications and a forum; and
- We support our suppliers', subcontractors' and service providers' commitment to environmental sustainability. We encourage this commitment through increasing our demand for and use of goods that are developed in a sustainable way and contribute to a reduced carbon footprint. Since our direct impact on the environment largely comes from office-based operations, our priority is procuring sustainable choices by negotiating a wide variety of office product options that focus on reducing our carbon footprint. Recycled office supplies, paper, toner, kitchen and pantry products, and cleaning products are available as part of our main corporate agreements with our suppliers.

The Company does not measure performance against specific environmental key performance indicators at this time, but will align with Group measures as they develop. Work is in progress to baseline our environmental data and develop a new carbon reduction reporting system. This will allow us to track our emissions and carbon footprint across our global operations as these develop.

Employees

Details of the number of employees and related costs can be found in note 6 to the financial statements on page 46.

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.

During 2017, just over a year since the merger, WTW commissioned an all-colleague engagement survey across 92 countries and 13 languages to gauge colleague satisfaction and feedback across a range of fourteen topics ranging from business focus through to colleague wellbeing and inclusion. The survey received an 83% response rate, with the results benchmarked against comparable organisations who themselves have also undergone a period of transition. The results of the survey allowed the executive leadership to identify key themes with priorities for action, and specific outcomes were communicated to colleagues. During 2018 these themes have helped shape group-wide objectives and target setting.

Inclusion and Diversity

Inclusion and diversity have a direct impact on WTW's ability to grow and succeed. This is why we are committed to creating an inclusive work environment where everyone is heard and respected. We believe that building a diverse workforce which leverages all of our best thinking and efforts will be the key to sustaining our competitive advantage, today and in the future.

Employees (continued)

Inclusion and Diversity (continued)

WTW has three company-wide I&D priorities, agreed by our Operating Committee, that support the success of Willis Towers Watson. A key underlying theme of these priorities is a sharpened focus on our female talent and a commitment to increase gender balance in leadership levels across the company. This focus directly supports the commitment Willis Towers Watson made when they joined the Paradigm for Parity® (P4P) coalition in 2016. Comprising business leaders, board members and academics, P4P is committed to reaching gender parity in leadership by 2030.

This heightened focus on our female talent does not diminish, in any way, our broader I&D efforts. Our commitment to all aspects of diversity is resolute and unwavering. Our three enterprise I&D priorities are:

- Increase the pipeline for under represented talent;
- Meaningfully increase the number of women and overall diversity in business leadership; and
- Promote an inclusive culture.

We have defined the following global priorities that we believe will enrich our culture, engage our colleagues and service our clients:

Culture:
- Providing leaders, people managers and colleagues with information to ensure they understand and take responsibility for fostering inclusivity.
- Defining inclusion as a core leadership competency and an annual performance objective.
- Embedding inclusion principles into all of our talent processes to mitigate unconscious bias.

Colleagues:
- Ensuring we have diverse applicant pools for all open positions.
- Providing mentors to support career development, with a focus on underrepresented talent.

Clients:
- Ensuring our client teams can relate to their clients' business, bringing the best diverse thinking and ideas to the table.

Supporting these global priorities are geography priorities that are set each year by WTW's geography I&D councils. The Company is represented by the UK council.

Inclusion Networks

Our inclusion networks are company-supported communities that engage our talent and better connect us to each other, our clients and the communities in which we work and live. We currently have five global groups:

Gender Equity Network - with networks across the globe, activities are focused on supporting work/ life balance for all, helping support the career development and advancement of women, as well as supporting the company achieve our Paradigm for Parity commitment.

LGBT+ - focuses on the needs of colleagues from across the diverse spectrums of sexual identity, orientation and gender.

Multicultural - celebrates the cultural diversity of Willis Towers Watson, and educates on differences in race, ethnicity, religion, language and culture. Additionally, we seek to support the company in its goal to recruit, retain, and develop underrepresented talent.

Workability - The Workability Inclusion Network welcomes all colleagues with an interest in disability, well-being and health-related matters at work. We are committed to challenging attitudes and increasing understanding related to disability, removing employment barriers for disabled people and those with long-term health conditions and ensuring that disabled people have the opportunities to fulfil their potential.

Young Professionals - The Network aims to create a community of connected, engaged, well informed and career confident young professionals who can help drive the future success of Willis Towers Watson. The group provides meaningful training, networking and development opportunities and also a platform for young professionals to share their ideas and have their voices heard.

Segment, Function and Geography leadership teams set I&D objectives annually so that we continue to strive for better gender balance (and overall diversity) on our leadership teams, a more diverse talent pipeline coming into our organization and promoting inclusive leadership and culture.

Employees (continued)

Inclusion and Diversity (continued)

WTW works with a number of organisations to help us promote and support our inclusion and diversity priorities through access to events and activities, thought leadership and research, and best practices.

Business Disability Forum

WTW is a member of the Business Disability Forum (BDF) that helps member organisations become 'disability smart', making it easier and more rewarding to do business with and employ disabled people. BDF members employ almost 20% of the UK workforce and, together, they seek to remove the barriers between public and private organisations and disabled people and have contributed to the establishment and development of meaningful disability discrimination legislation in the UK. BDF provides pragmatic support to members by sharing expertise, giving advice, providing training and facilitating networking opportunities.

Business Insurance Diversity & Inclusion Institute

WTW is a Founding Partner of the Business Insurance Diversity & Inclusion Institute. The Institute is dedicated to promoting and advancing diversity and inclusion in every facet of the commercial insurance industry.

Business in the Community (BITC)

BITC's gender equality campaign is committed to empowering employers to accelerate change for women in the workplace. WTW has a core membership which provides access to tailored, practical and pragmatic advice, knowledge, research and expertise on workplace gender equality issues. Additionally, since 2014 BITC has guided our entries in the Opportunity Now/Times Top 50 Employers for Women Awards and, in turn, our gender equality related priorities in the UK.

Catalyst

Catalyst is the leading nonprofit organization with a mission to accelerate progress for women through workplace inclusion. It helps raise awareness of how inclusion benefits today's global businesses, and provide guidance and solutions on how to enact real change. The member-only content available to WTW colleagues includes career guidance and toolkits, as well as access to whitepapers and special events.

Center for Talent Innovation (CTI)

The mission of the CTI is two-fold: to drive ground-breaking research that leverages talent across the divides of gender, generation, geography and culture; and to create a community of senior executives united by an understanding that full utilisation of the global talent pool is at the heart of competitive success. As task force members, WTW has limited proprietary access to global events, webinars and in-depth research on a wide variety of topics.

Stonewall

WTW is a member of Stonewall's Diversity Champions programme, Britain's leading best-practice employers' forum for sexual orientation and gender identity equality. As a member, we benefit from expertise and guidance from their diversity advisors, as well as access to best practices, seminars and networking opportunities. Additionally, our company is featured in their Starting Out Careers Guide and can post job listings on Proud Employers, the UK's only professional LGBT job site. In 2019, Willis Towers Watson completed the Stonewall Equality Index coming 244 out of over 445 companies. We are pleased with our result and believe that measurement is important and benchmarking ourselves against others enables us to learn from the best and to take action and make changes that will build WTW as a truly inclusive and diverse employer.

Dive in Festival 2018

For the fourth year running, Willis Towers Watson is proud to be a gold sponsor of the Dive In Festival for Diversity and Inclusion in Insurance. Although originally an insurance industry event, the reach of Dive In attracts participants from across the financial services industry. In this way, Dive In is helping business from across the spectrum get fit for the future, highlighting the business case for diverse and inclusive workplaces and providing practical ideas and inspiration for how to bring about positive change.

Employees (continued)

Inclusion and Diversity (continued)

Awards and recognition

During 2017 and 2018 WTW has been recognised for our commitment to inclusion by the following organisations:

Best Places to Work for LGBTQ Equality, 2018

WTW was again named in 2018 among the Best Places to Work for LGBTQ Equality, receiving a perfect score of 100% on the Human Rights Campaign's (HRC) Corporate Equality Index in the category for Consulting and Business Services. The index is a national US benchmarking survey and reports on corporate policies and practices related to lesbian, gay, bisexual and transgender colleagues and their workplaces.

Winners of The Inclusion and Diversity Award, The Insurance Insider Honours 2017

WTW won this award for programmes, events and other activities designed to promote and further inclusion and diversity in the global insurance market. Our entry highlighted the work of our five Inclusion Networks in the UK and some of the campaigns they have organised, including Pride and Mental Health Awareness.

Member of the Bloomberg Gender-Equality Index 2019

The Bloomberg Gender-Equality Index (GEI) is the world's only comprehensive investment-quality data source on gender equality. The 2019 Gender-Equality Index includes 230 companies from ten sectors headquartered in 36 countries and regions. Member companies are not ranked and there is no cost associated.

Gender Pay Gap Reporting

WTW is committed to giving everyone an equal opportunity to unlock their full potential and succeed, regardless of gender and background. This diversity strengthens our business and benefits both our clients and our colleagues. To encourage companies across all industries to do more to progress women in the workplace, the UK Government requires employers with 250 or more employees to report their gender pay gap annually. Willis Limited has provided this disclosure based on April 2018 data which can be obtained from https://www.willistowerswatson.com/en-gb/notices/gender-pay-gap-report.

The report is required to show specific metrics, namely: the mean hourly rate, which is the average hourly wage across the entire organisation so the mean gender pay gap is a measure of the difference between women's mean hourly wage and men's mean hourly wage; and the median hourly rate, which is calculated by ranking all colleagues from the highest paid to the lowest paid, and taking the hourly wage of the person in the middle; so the median gender pay gap is the difference between women's median hourly wage (the middle paid woman) and men's median hourly wage (the middle paid man).

An additional disclosure has been made to highlight the bonus pay gap measure (both mean and median) which is calculated on the same basis as above, but considers bonus remuneration rather than wage. Bonus pay includes all forms - annual bonus, commission and long-term incentive awards, and includes anyone who received a bonus between April 2017 and April 2018.

The gender pay gap for the Company as at April 2018 based on an hourly pay gap measure is a mean average of 41% and median average of 34.7%. In other words when comparing mean hourly rates, women earn 59p for every £1 that men earn and when comparing median hourly rates, women earn 65p for every £1 that men earn.

The bonus pay gap measure is a mean average of 79% and median average of 56.3%. 87% of male colleagues received a bonus between April 2017 and April 2018 compared to 89% of female colleagues.

The improvement on the mean gender pay gap of 4.5% from the restated 2017 position of 45.5% is encouraging, but we recognise the gap remains unacceptably high. WTW and the Company remain totally committed both to addressing the challenge, and are working on a number of interventions outlined further below. We will ensure this remains a priority for us going forward.

Our gender pay gap numbers are not reflective of the company that we want to be. The reason for the gap is primarily because of the shape of our company - we have significantly more men than women in senior roles that are higher paid. Whilst our distribution has remained similar across the majority of levels from 2017 to 2018, our upper quartile has seen a 1% increase in the number of females versus males. This is a small, but important sign of progress, which we hope will continue as a result of the steps we are taking (as described in this report).

Employees (continued)

Inclusion and Diversity (continued)

Gender Pay Gap Reporting (continued)

As we focus on supporting the progression of our female talent through the company, we anticipate that it will take time to change the distribution to be truly reflective of the company we wish to become.

Narrowing our gap

In our 2017 report we committed to taking action to address our gender pay gap. The execution of this commitment is evidenced by the actions we are taking to enable and encourage our female talent to move to more senior roles. This integrated approach will allow us to make measurable progress in 2018 and beyond.

As part of our efforts, we carried out a pulse survey to mid and senior level females in our UK businesses to help us understand our areas of strength and opportunity in greater detail. Three quarters of recipients responded giving us a strong set of insights to inform our Gender Balance and Talent & Development agendas in the coming months. We are planning to extend the survey to include all corporate function mid and senior level females in the UK.

Our integrated approach is focused on four key dimensions:

Attract & Hire

- Our Talent Acquisition team is developing a programme to help address the fact that, in the UK, we currently hire more men than women into mid-career roles.
- Introduction of inclusive recruitment principles that call for both a diverse candidate pool and a diverse interview panel for all senior roles where possible.

Identification of Talent

- The design and implementation of a process to identify all senior female talent within WTW and their readiness for promotion to senior positions.
- An approach to develop and support our talent throughout their careers, including creating meaningful, tailored, development plans for females identified as ready for promotion within the next two years. This work will extend to take a deeper look at talent further down the Company.

Develop and Promote

- The development of tools and programmes to enable female colleagues to accelerate their development and promotion and support mentoring and sponsorship activities.
- Strengthening our support for managers, particularly with career and development discussions.

Inclusive Leadership and Culture

- Our continued focus is on building a truly inclusive and diverse work environment, which is led by our leaders and underpins our gender balance commitment. We believe that a culture in which everyone is heard, respected and valued for who they are is a critical enabler of future growth and success.

Corporate and Social responsibility

At WTW, we each share a set of core values that serve as a guide for how we manage our relationships inside the company and out. Within these values there is a focus on good citizenship that involves supporting the communities and protecting the environments where we live and work.

WTW has appointed a Global Lead of Corporate Social Responsibility to guide this work and has implemented a Matching Gift Programme and Volunteer Day Programme available to all colleagues. An internal group-wide forum helps our colleagues celebrate examples of how they use these programmes to give back to their communities.

Anti-Bribery and Anti-Corruption

The Company is subject to global anti-bribery and anti-corruption policies and procedures which apply to all colleagues in entities owned and/or controlled by WTW, suppliers to WTW and third parties performing services on behalf of WTW (unless the suppliers or third parties have comparable anti-bribery and anti-corruption policies of their own).

The Anti-Bribery & Corruption Policy states that WTW is committed to conducting business with honesty, integrity and fairness and without the use of bribery and corrupt practices, and prohibits the offering, promising, giving, requesting, agreeing to receive or accepting of any bribe or other illegal or corrupt payment or inducement to or from any person at any time anywhere in the world.

Bribery and corruption risks include those through third parties and gifts, entertainment and hospitality. The Company mitigates these risks by global procedures which apply to all employees in entities owned and/or controlled by WTW. The Anti-Bribery & Corruption-Gifts, Entertainment & Hospitality Procedures require Compliance approval of gifts, entertainment and hospitality (whether given or received by WTW) that meet bribery risk criteria explained in the procedures, The Anti-Bribery & Corruption-Third Party Approval Procedures require due diligence be conducted on, and approval be obtained for, all third parties performing services on behalf of WTW. For all but the very lowest risk third parties, the approval procedures must be refreshed and repeated annually. Very low risk third parties require re-approval under the procedures every two years.

The policies, procedures and supporting forms and information are available to colleagues on WTW's intranet site and are translated into 26 languages to support their global application and understanding.

Whistleblowing

Pursuant to the Code of Conduct, WTW conducts its business responsibly and in compliance with all applicable laws, regulations, internal accounting standards, accounting controls and audit findings. It is expected that colleagues will act with the highest possible standards of honesty, ethical conduct and integrity in all that they do. Should colleagues have a genuinely held concern that these high standards are not being maintained, they are invited to raise any concerns via several different confidential reporting routes. WTW takes all reports of misconduct seriously and investigates them thoroughly. Reprisal or retaliation against anyone who has in good faith reported potential breaches of our values, the Code of Conduct or the law is not tolerated.

This strategic report was approved by the Board of Directors and authorised for issue on 9 MAY 2019 and signed on its behalf by:

Nicolas Aubert
Director
51 Lime Street
London EC3M 7DQ

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their annual report, together with the audited financial statements, for the year ended 31 December 2018.

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 2018, along with the principal risks faced in achieving its future objectives, information on financial risk management and information about employees.

Going concern

The Directors have a reasonable expectation that the Company has adequate 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. Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements on page 29.

Dividends

An interim dividend of $124 million was paid on 31 July 2018 (29 June 2017: $185 million). The Directors do not recommend the payment of a final dividend (2017: $nil).

Events after the balance sheet date

On 30 April 2019, the Company transferred the employee benefits broking and consulting business within its HCB segment to Towers Watson Limited, a fellow group subsidiary undertaking.

Employees

It is the Company's and WTWs 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.

Directors

The current Directors of the Company are shown on page 1, which forms part of this report. Mary T O'Connor, Claire Powell, James ED Vickers and Eloise M Martin resigned from the Board on 6 July 2018, 25 July 2018, 10 December 2018 and 17 April 2019 respectively. The following Directors joined the Board during the year and after the year end:

- James E Kent - 11 January 2018
- Richard J Vanner - 16 April 2019

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 9 MAY 2019 and signed on its behalf by:

Nicolas Aubert
Director
51 Lime Street
London EC3M 7DQ

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILLIS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Willis Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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 statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 28.

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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILLIS LIMITED (continued)

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.

David Rush

David Rush FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

9 May 2019

WILLIS LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 $m	2017 $m
Brokerage and fees	3	940	896
Other income	4	2	—
Interest and investment income		12	7
Turnover		954	903
Operating expenses		(753)	(758)
Operating (expense)/income – foreign exchange (loss)/ gain		(65)	2
Loss on disposal of books of business	8	—	(1)
Restructuring costs	9	—	(4)
Operating profit	5	136	142
Interest receivable and similar income	10	25	19
Profit before taxation		161	161
Tax charge on profit	11	(23)	(35)
Profit for the year		138	126

All activities derive from continuing operations.

The notes on pages 29 to 66 form an integral part of these financial statements.

WILLIS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 $m	2017 $m
Profit for the year		**138**	126
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain relating to the defined benefit pension scheme	22	**(58)**	137
UK deferred tax attributable to actuarial loss/(gain)	11	**10**	(23)
Foreign currency translation		**4**	—
		(44)	114
Items that are or may be reclassified subsequently to profit or loss:			
Derivative instruments:			
- (Loss)/gains on forward contracts (effective element)		**(14)**	20
- Reclassification adjustments for forward exchange contracts included in income statement		**20**	45
Tax on items relating to components of comprehensive income	11	**(1)**	(12)
Other comprehensive (loss)/income for the year, net of income tax		**(39)**	167
Total comprehensive income for the year		**99**	293

The notes on pages 29 to 66 form an integral part of these financial statements.

WILLIS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2018

	Notes	2018	2017 rcstated (see note 29)
		$m	$m
Fixed assets			
Intangible assets	13	**217**	219
Tangible fixed assets	14	**27**	28
Investments	15	**5**	6
		249	253
Current assets			
Debtors:			
Amounts falling due within one year	16	**794**	726
Amounts falling due after more than one year	16	**24**	34
		818	760
Deposits and cash: held in fiduciary capacity		**1,128**	1,210
Deposits and cash		**180**	149
		2,126	2,119
Current liabilities			
Creditors: amounts falling due within one year	17	**(439)**	(420)
Fiduciary liabilities: amounts falling due within one year	18	**(1,128)**	(1,210)
		(1,567)	(1,630)
Net current assets		**559**	489
Total assets less current liabilities		**808**	742
Creditors: amounts falling due after more than one year	19	**(2)**	(7)
Provisions for liabilities	20	**(39)**	(40)
Net assets excluding pension plan surplus		**767**	695
Defined pension plan surplus	22	**489**	560
Net assets including pension plan surplus		**1,256**	1,255
Equity			
Called up share capital	21	**153**	153
Cash flow hedging reserve		**(11)**	(16)
Retained earnings		**1,114**	1,118
Shareholder's equity		**1,256**	1,255

The notes on pages 29 to 66 form an integral part of these financial statements.

The financial statements of Willis Limited, registered company number 00181116, were approved by the Board of Directors and authorised for issue on 9 MAY 2019 and signed on its behalf by:

Nicolas Aubert
Director

WILLIS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Called up share capital $m	Cash flow hedging reserve $m	Retained earnings $m	Total equity $m
Balance at 1 January 2017		153	(69)	1,051	1,135
Profit for the year		—	—	126	126
Other comprehensive income/(loss):			—		
Actuarial gain on pension scheme	22	—	—	137	137
Reclassification adjustments for forward exchange contracts included in income statement		—	45	—	45
Gains on forward contracts (effective element)		—	20	—	20
Tax on items relating to components of other comprehensive income		—	(12)	(23)	(35)
Total comprehensive income for the year		—	53	240	293
Equity-settled share based payment transactions	27	—	—	12	12
Dividends to shareholders	12	—	—	(185)	(185)
Balance at 31 December 2017		**153**	**(16)**	**1,118**	**1,255**
Profit for the year		—	—	138	138
Other comprehensive income/(loss):			—		
Actuarial losses on pension scheme	22	—	—	(58)	(58)
Foreign currency translation		—	—	4	4
Reclassification adjustments for forward exchange contracts included in income statement		—	20	—	20
Losses on forward contracts (effective element)		—	(14)	—	(14)
Tax on items relating to components of other comprehensive income		—	(1)	10	9
Total comprehensive income for the year		—	5	94	99
Adoption of IFRS 15	3	—		25	25
Equity-settled share based payment transactions	27	—	—	1	1
Dividends to shareholders	12	—	—	(124)	(124)
Balance at 31 December 2018		**153**	**(11)**	**1,114**	**1,256**

The notes on pages 29 to 66 form an integral part of these financial statements.

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 except for certain financial instruments that are measured at fair value at the end of each reporting period

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) business combinations; (ii) share-based payments; (iii) financial instruments; (iv) presentation of a cash flow statement; (v) related party transactions; and (vi) 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.

True and fair view override

In special disclosure circumstances, where compliance with any of the provisions of the Companies Act 2006 as to the matters to be included in a company's financial statements (or notes thereto) is inconsistent with the requirement to give a true and fair view of the state of affairs and profit or loss, the Directors shall depart from that provision to the extent necessary to give a true and fair view. In these instances, the Company would adopt a true and fair view override.

1. General information and accounting policies (continued)

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.

In accordance with Section 400 of the Companies Act 2006, the Company is exempt from the requirement to produce group financial statements.

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 (effective from 1 January 2018)

The following revenue recognition policies were effective for the 2018 financial year as a result of the adoption on 1 January 2018 of IFRS 15 *Revenue from Contracts with Customers* ('IFRS 15'). The revenue recognition policies in effect prior to 2018 are reflected in the next section.

Revenue includes insurance commissions, fees for services rendered, certain commissions receivable from insurance carriers and investment income earned on fiduciary balances.

In our broking arrangements, we earn revenue by acting as an intermediary in the placement of effective insurance policies. Generally, we act as an agent and view our client to be the party looking to obtain insurance coverage for various risks, or an employer or sponsoring organisation looking to obtain insurance coverage for its employees or members. Also, we act as an agent in reinsurance broking arrangements where our client is the party looking to cede risks to the reinsurance markets. Our primary performance obligation under the majority of these arrangements is to place an effective insurance or reinsurance policy, but there can also be post-placement obligations in certain contracts. The most common of these is for claims handling, although this is typically considered to be an immaterial performance obligation.

Due to the nature of the majority of our broking arrangements, no single document constitutes the contract for IFRS 15 purposes. Our services may be governed by a mixture of different types of contractual arrangements depending on the jurisdiction or type of coverage, including terms of business agreements, broker-of-record letters, statements of work or local custom and practice. This is then confirmed by the client's acceptance of the underlying insurance contract. Prior to the policy inception date, the client has not accepted nor formally committed to perform under the arrangement (i.e. pay for the insurance coverage in place). Therefore, in the majority of broking arrangements, the contract date is the date the insurance policy incepts.

As noted, our primary performance obligations typically consist of only the placement of an effective insurance policy which precedes the inception date of the policy. Therefore, most of our fulfilment costs are incurred before we can recognise revenue, and are thus deferred during the pre-placement process. Where we have material post-placement services obligations, we estimate the relative fair value of the post-placement services using either the expected cost-plus-margin or the market assessment approach.

1. General information and accounting policies (continued)

Revenue recognition (effective from 1 January 2018) (continued)

Fees for our broking services consist of commissions or fees negotiated in lieu of commissions. At times, we may receive additional income for performing these services from the insurance and reinsurance carriers' markets, which is collectively referred to as 'market derived income'. In situations in which our fees are not fixed but are variable, we must estimate the likely commission per policy, taking into account the likelihood of cancellation before the end of the policy. For proportional treaty reinsurance broking, the commissions to which we will be entitled can vary based on the underlying individual insurance policies that are placed, we base the estimates of transaction prices on supportable evidence from an analysis of past transactions, and only include amounts that are probable of being received or not refunded (referred to as applying 'constraint' under IFRS 15). This is an area requiring significant judgement and results in us estimating a transaction price that may be significantly lower than the ultimate amount of commissions we may collect. The transaction price is then adjusted over time as we receive confirmation of our remuneration through receipt of treaty statements, or as other information becomes available.

We recognise revenue for most broking arrangements as of a point in time at the later of the policy inception date or when the policy placement is complete, because this is viewed as the date when control is transferred to the client.

Revenue is stated net of VAT where applicable.

Investment income earned on fiduciary balances is recognised on an accruals basis.

Revenue recognition (effective before 1 January 2018)

Revenue included insurance commissions, fees for services rendered, certain commissions receivable from insurance carriers and investment income earned on fiduciary balances.

Brokerage income and fees negotiated in lieu of brokerage were recognised at the later of policy inception date or when the policy placement was complete. Revenue was deferred if necessary for any significant post placement obligations. Commissions on additional premiums and adjustments were recognised when approved by or agreed between the parties and collectability was reasonably assured.

Fees for risk management and other services were recognised as the services were provided. Negotiated fee arrangements for an agreed period covering multiple insurance placements, the provision of risk management and/or other services were determined, contract by contract, on the basis of the relative fair value of the services completed and the services yet to be rendered.

As is still the case, revenue was stated net of VAT where applicable and investment income earned on fiduciary balances was recognised on an accruals basis.

Cost to obtain or fulfil contracts (effective from January 1, 2018)

Costs to obtain customers include commissions for brokers under specific agreements that would not be incurred without a contract being signed and executed. The Company has elected to apply the IFRS 15 'practical expedient' which allows it to expense these costs as incurred if the amortization period related to the resulting asset would be one year or less. The Company has no significant instances of contracts that would be amortized for a period greater than a year, and therefore has no contract costs capitalized for these arrangements.

Costs to fulfil include costs incurred by the Company that are expected to be recovered within the expected contract period. The Company must estimate the fulfilment costs incurred during the pre-placement of the broking contracts. These judgements include:

- which activities in the pre-placement process should be eligible for capitalisation;
- the amount of time and effort expended on those pre-placement activities;
- the amount of payroll and related costs eligible for capitalisation; and,
- the monthly timing of underlying insurance and reinsurance policy inception dates.

The Company amortises costs to fulfil over the period it receives the related benefits. For broking pre-placement costs, this is typically less than a year.

1. **General information and accounting policies (continued)**

Interest receivable and interest payable

Interest receivable and interest payable are recognised as interest accrues using the effective interest method.

Dividend income

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

Foreign currency translation

These financial statements are presented in US dollars 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, except for transactions entered into to hedge certain foreign currency risks (see Financial assets and financial liabilities, below).

Intangible assets - Goodwill

Goodwill represents the excess of the cost of businesses acquired over the fair market value of identifiable net assets at the dates of acquisition. The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 require the amortisation of goodwill. However, the Company believes the amortisation of goodwill would not give a true and fair view because:

- not all goodwill declines in value; and
- goodwill that does decline in value rarely does so on a straight-line basis.

Consequently, straight-line amortisation of goodwill over an arbitrary period does not reflect economic reality and thus does not provide useful information to financial statement users. The Company is therefore invoking the 'true and fair view override' described above.

The Company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability, nor can the pattern in which goodwill diminishes be known.

Consequently, the Company does not amortise goodwill but reviews it for impairment annually and whenever facts or circumstances indicate that the carrying amounts may not be recoverable.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

Intangible assets - Other

Both acquired and other intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation is calculated as follows:

Acquired client relationships	In line with underlying cash flows over 5 to 20 years
Software development costs	On a straight line basis over 4 to 7 years

Development costs have been capitalised in accordance with IAS 38 *Intangible Assets* and are therefore not treated, for dividend purposes, as a realised loss.

1. General information and accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is calculated on a straight-line basis to write off the cost of such assets over their estimated useful economic lives as follows:

Freehold buildings	2 per cent per annum
Freehold land	Not depreciated

Expenditure for improvements is capitalised; repairs and maintenance are charged to the income statement as incurred.

Tangible fixed assets are reviewed for impairment when events or changes in circumstance indicate that the carrying amount may not be recoverable. Any impairment in the value of tangible fixed assets is charged to the income statement in the period in which the impairment occurs.

Fixed asset investments

Investments in subsidiaries and associates are carried at cost less any provision for impairment.

Insurance broking assets and liabilities

The Company acts as agent in placing the insurable risks of its clients with insurers and, as such, generally is not principal to the contracts under which the right to receive premiums from clients, or reimbursement of insured losses from insurers, arises. Consequently, the Company is generally neither contractually entitled to demand premiums from clients nor liable to insurers for any uncollected amounts arising from such transactions

In recognition of this relationship, uncollected premiums and claims from insurance broking transactions are not included as assets or liabilities of the Company. Other than the receivable for revenue not yet received for fees and commissions earned on a transaction, no recognition of the insurance transactions occurs.

In certain exceptional circumstances, the Company advances premiums, refunds or claims to insurance underwriters or clients prior to collection from fiduciary funds. To the extent that these advances result in increased credit risk this is reflected in the recognition of an expense for bad and doubtful debts and an equal and opposite provision.

Deposits and cash: held in fiduciary capacity ('fiduciary funds')

Unremitted insurance premiums and claims are recorded within fiduciary funds. Fiduciary funds are required to be kept in certain regulated bank accounts subject to guidelines which emphasise capital preservation and liquidity. Such funds are not available to service the Company's debt or for other corporate purposes. Notwithstanding the legal relationships with clients and insurers, the Company is generally entitled to retain interest and investment income earned on fiduciary funds in accordance with agreements with insureds and insurers and in accordance with industry custom and practice where these agreements are not in place.

Other fiduciary assets and liabilities

See note 28 for a description of a change in accounting presentation in 2018.

1. General information and accounting policies (continued)

Pension costs

The Company has a defined benefit pension scheme and a defined contribution pension scheme. The defined benefit scheme was closed to new entrants in January 2006, and subsequently a salary freeze was enacted on 30 June 2015. New employees are now offered the opportunity to join the defined contribution scheme.

Defined benefit scheme

A defined benefit scheme is a pension scheme that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of the defined benefit obligation) and is based on actuarial advice.

Past service costs are recognised in profit and loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance income or cost.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the Company expects to recover by way of refunds from the plan or reductions in the future contributions.

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.

1. General information and accounting policies (continued)

Share-based payments

The Company's ultimate parent company, Willis Towers Watson plc, issues equity-settled and cash-settled share-based payments to certain employees of the Company under which the Company receives services from employees as consideration for these awards. The awards are granted by Willis Towers Watson plc and the Company has no obligation to settle the awards.

The fair value of the employee service received in exchange for the grant of the awards is recognised as an expense. A credit is recognised directly in equity. The equity-settled share-based payments are measured at fair value at the date of grant and are expensed on a straight-line basis over the vesting period, based on WTW's estimate of shares that will eventually vest.

Fair value of options is typically measured by use of the Black-Scholes pricing model. The expected life of options granted used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The fair value of each performance-based restricted stock unit is estimated on the grant date using a Monte-Carlo simulation that uses the following assumptions: expected volatility is based on the historical volatility of WTW's shares and the risk-free rate is based on the US Treasury yield curve in effect at the time of the grant.

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.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements although deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same tax authority and that authority permits the Company to make a single net payment.

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.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

1. **General information and accounting policies (continued)**

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), and derivative financial instruments.

The Company classifies its financial assets as at amortised cost, at fair value through other comprehensive income 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 generally 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, 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, except that trade receivables are initially recognised at their transaction price, and are 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. There would be a rebuttable presumption that the credit risk on a financial asset had increased significantly if it were more than 30 days past due and a reubuttable presumption that a financial asset to be in default if it were more than 90 days past due. The amount of any impairment loss is recognised in profit or loss.

The Company uses derivative financial instruments for other than trading purposes to alter the risk profile of an existing underlying exposure. Interest rate swaps are used to manage interest rate exposures. Forward foreign currency exchange contracts are used to manage currency exposures arising from future income and expenses.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception.

The effective portions of changes in the fair value of derivatives that qualify for hedge accounting as cash flow hedges are recorded in other comprehensive income. Amounts are reclassified from other comprehensive income to earnings when the hedged exposure affects earnings. Changes in fair value of derivatives that do not qualify for hedge accounting, together with any hedge ineffectiveness on those that do qualify, are recorded in operating expenses or interest expense as appropriate.

1. General information and accounting policies (continued)

Recent accounting pronouncements adopted in the current period

In May 2014, the International Accounting Standards Board ('IASB') issued International Financial Reporting Standard ('IFRS') 15, 'Revenue From Contracts With Customers'. The new standard supersedes most current revenue recognition guidance. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The IFRS also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgements and changes in judgements and assets recognised from costs incurred to fulfil a contract. The Company adopted the standard using the modified retrospective approach on 1 January 2018, when it became mandatorily effective. The effect on the Company's financial statements is shown in note 3.

In July 2014, the IASB issued IFRS 9 'Financial Instruments', which is the comprehensive standard replacing IAS 39 'Financial Instruments: Recognition and Measurement' and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The Company adopted the standard on 1 January 2018, when it became mandatorily effective. There was no material impact on the Company's financial statements on adoption of this standard.

With effect from 1 January 2018 the Company adopted the 'Classification and Measurement of Share-based Payment Transactions' amendments to IFRS 2 'Share-based Payment', which contains the following clarifications and amendments:

- cash-settled share-based payment transactions that include a performance condition: guidance on how vesting conditions affect the fair value of liabilities for cash-settled share-based payments; guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations: introduction of an exception so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature); and
- modifications of share-based payment transactions from cash-settled to equity-settled: introduction of the following clarifications: (i) on such modifications, the original liability recognised in respect of the cash-settled share-based payment is derecognised and the equity-settled share-based payment is recognised at the modification date fair value to the extent services have been rendered up to the modification date; and (ii) any difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date would be recognised in profit and loss immediately).

The Company applied the changes retrospectively. There was no material impact on the Company's financial statements.

The Company did not adopt any other new IFRSs or interpretations ('IFRICs') issued by the International Accounting Standards Board ('IASB') during the year ended 31 December 2018, and no other amendment 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.

2. Critical accounting judgements and estimates (continued)

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.

Critical judgements in applying the Company's accounting policies

The following are the 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 and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

Management judgement has been applied in the assessment of the significance of brokerage post placement obligations and hence the amount of revenue deferred and, also, for negotiated fee arrangements covering multiple insurance placements, in the determination of the relative fair value of the services completed and the services yet to be rendered.

Key sources of estimation uncertainty

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

Valuation of goodwill

Significant management judgement is required to estimate:

- the future cash flows of the cash generating units, which are sensitive to projected cash flows for the period for which detailed forecasts are available and assumptions regarding the long-term pattern of cash flows thereafter; and
- the rates used to discount cash flows, which are sensitive to the risk-free interest rate in the UK and a premium for the risk of the business being evaluated; these variables are subject to fluctuations beyond management's control.

As part of the annual impairment test which was performed as at 31 December 2018, management reviewed the current and expected performance of the cash generating units and determined that there was no indication of impairment of the goodwill allocated to them. See note 13 for the carrying amount of goodwill. No impairment of goodwill was identified in 2018 or 2017.

Acquired customer relationships

During the year, management reconsidered the recoverability and estimated useful economic lives of its intangible acquired customer relationships asset which is included in its balance sheet at $12 million (see note 13). Management is confident that the carrying amount of the asset will be recovered in full and that the useful economic lives remain appropriate.

Software and development costs

During the year, management reconsidered the recoverability and estimated useful economic lives of its intangible software and development costs asset which is included in its balance sheet at $19 million (see note 13). Management is confident that the carrying amount of the asset will be recovered in full and that the useful economic lives remain appropriate.

Useful economic lives of tangible fixed assets

The annual depreciation charge for freehold land and buildings is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 14 for the carrying amount of the tangible fixed assets, and note 1 for the useful economic lives for each class of assets.

2. Critical accounting judgements and estimates (continued)

Impairment of investments in subsidiaries

Determining whether the Company's investment in a subsidiary has been impaired requires estimations of the investment's fair value, less costs of disposal, and/or value in use. Management judgement is required to identify comparable recent transactions and/or to estimate the future cash flows expected to arise from the investment and select a suitable discount rate to use in calculating present value. See note 15 for the carrying amount of investments in subsidiaries. No impairment loss was recognised in 2018 or 2017.

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 notes 16 and 17 for the carrying amount of financial assets at amortised cost. No impairment loss was recognised in 2018 or 2017.

Revenue Recognition (effective January 1, 2018)

We use significant estimates related to revenue recognition, most commonly during our estimation of the transaction price.

This process occurs most frequently in proportional treaty reinsurance broking transactions in which our fees are not fixed but are variable and we must estimate the likely commission per policy, taking into account the likelihood of cancellation before the end of the policy. The commissions to which we will be entitled can vary based on the underlying individual insurance policies that are placed. We base the estimates of transaction prices on supportable evidence from an analysis of past transactions, and only include amounts that are probable of being received or not refunded (referred to as applying 'constraint' under IFRS 15). This results in us estimating a transaction price that may be significantly lower than the ultimate amount of commissions we may collect. The transaction price is then adjusted over time as we receive confirmation of our remuneration through receipt of treaty statements, or as other information becomes available.

Cost to fulfill contracts (effective from January 1, 2018)

Management judgement is required to estimate the fulfilment costs incurred during the pre-placement of the broking contracts. These judgements include:

- which activities in the pre-placement process should be eligible for capitalisation;
- the amount of time and effort expended on those pre-placement activities;
- the amount of payroll and related costs eligible for capitalisation; and,
- the monthly timing of underlying insurance and reinsurance policy inception dates.

Further details are given in Note 3.

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are given in note 11.

Provisions

Management judgement is required to determine the probability of an outflow of resources and to estimate the amount. Further details are given in note 20.

Funded defined benefit pension scheme

The Company uses the granular approach to calculating service and interest cost. The major assumptions used in the actuarial valuation of the funded defined benefit pension scheme operated by the Company are the rate of increase in salaries, the rate of increase in pensions in payment, the discount rate, RPI and CPI inflation rates, and mortality and longevity rates. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. Further details are given in note 22.

3. Brokerage and fees

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. Brokerage and fees are attributable to continuing operations.

Brokerage and fees	**2018** **$m**	2017 $m
United Kingdom	**306**	325
North America	**165**	144
Rest of the world	**469**	427
	940	896

Adoption of IFRS 15

As of 1 January 2018, the Company adopted IFRS 15 *Revenue from Contracts with Customers*. The adoption of this new Standard had a material effect on certain balances within these financial statements.

The Company adopted IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application. The Company elected to reflect the aggregate effect of all modifications made to contracts prior to the transition date, 1 January 2018, rather than retrospectively restating the contracts for each of these modifications.

The Company recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings. The comparative period included within these financial statements has not been restated and continues to be reported under the accounting standards in effect for that period.

The effects of the changes on the Company's 1 January 2018 balance sheet were as follows:

Balance Sheet	**Balance at 31 December 2017** **$m**	**Adjustments due to IFRS 15** **$m**	**Balance at 1 January 2018** **$m**	**Notes**
Assets				
Debtors: Amounts falling due within one year				
Trade debtors	270	(4)	266	*a*
Deferred contract costs	—	24	24	*b*
Prepayments and accrued income	42	18	60	*c*
Debtors: Amounts falling due after more than one year				
Prepayments and accrued income	—	1	1	*b*
Liabilities				
Accruals and deferred income	(181)	4	(177)	*a*
Amounts owed to group undertakings in respect of corporation taxation group relief	(19)	(6)	(25)	*d*
Provisions for liabilities	(40)	(12)	(52)	*e*
Equity				
Retained earnings	(1,118)	(25)	(1,143)	*f*

3. Brokerage and fees (continued)

The following disclosures show the effects on the Company's income statement and balance sheet:

	Year ended 31 December 2018			
Income Statement	**As reported**	**Balances without adoption of IFRS 15**	**Effect of change**	**Notes**
	$m	**$m**	**$m**	
Brokerage and fees	940	940	—	*g*
Operating expenses	(753)	(754)	1	*h*
Operating profit	136	135	1	
Profit before taxation	161	160	1	
Tax charge on profit	(23)	(23)	—	*i*
Profit for the year	138	137	1	

	At 31 December 2018			
	As reported	**Balances without adoption of IFRS 15**	**Effect of change**	**Notes**
	$m	**$m**	**$m**	
Assets				
Debtors: Amounts falling due within one year				
Trade debtors	253	256	(3)	*a*
Deferred contract costs	24	—	24	*b*
Prepayments and accrued income	60	42	18	*c*
Debtors: Amounts falling due after more than one year				
Prepayments and accrued income	2	—	2	*b*
Liabilities				
Accruals and deferred income	(147)	(149)	2	*a*
Amounts owed to group undertakings in respect of corporation taxation group relief	(34)	(27)	(7)	*d*
Provisions for liabilities	(39)	(28)	(11)	*e*
Equity				
Retained earnings	(1,114)	(1,089)	25	*f*

3. Brokerage and fees (continued)

Explanation of Changes

The adoption of IFRS 15 had the following the effects on the Company's balance sheet at 1 January 2018 and 31 December 2018:

a. Trade debtors, which previously included items now classified as contract assets under IFRS 15, exclude items which are now offset against contract liabilities within accruals and deferred income.

b. Deferred contract costs represents the effect of costs deferred in connection with the Company's broking pre-placement activities. These costs are being deferred while the related pre-placement work is performed, and amortised as the related revenue is recognised, typically upon policy inception. Where the amortisation period associated with these fulfilment costs is less than one year, these deferred costs have been classified as amounts falling due within one year.

c. This adjustment relates to adjustments to revenue that have not yet been collected from customers but are expected to be collected within the next twelve months. The most significant increases to this balance result from revenue acceleration under IFRS 15 for proportional treaty broking commissions.

d. Amounts owed to group undertakings in respect of group tax relief has been adjusted for the tax effects of the individual changes resulting from the adoption of IFRS 15. The income tax expense was calculated based on the UK statutory rate applicable to adjustments made. Where applicable, a UK statutory rate of 19% was used.

e. Provisions for liabilities has been adjusted for additional reserves for long-term post-placement obligations in the Company's broking business.

f. Retained earnings has been adjusted for the net effect of the adoption of IFRS 15.

The following changes are now reflected in the Company's income statement for the year ended 31 December 2018. Each description also includes a discussion of the effect on retained earnings as of the adoption date.

	Retained earnings increase/ (decrease) at 1 January 2018	**Increase for the year ended 31 December 2018**
	$m	**$m**
Brokerage and fees adjustments		
Proportional treaty reinsurance broking	19	—
Total adjustments related to revenue	19	—
Cost adjustments		
Insurance broking activities	12	1
Total adjustments related to costs	12	1
Tax effect (note i)	(6)	—
Total net adjustments	25	1

3. Brokerage and fees (continued)

g. Brokerage and fees adjusted for the following significant changes:

The revenue recognition for proportional treaty reinsurance broking commissions, within the Investment, Risk and Reinsurance segment, has moved from recognition upon the receipt of the monthly or quarterly treaty statements from the ceding insurance carriers, to the recognition of an estimate of expected commissions upon the policy effective date. Since the majority of revenue recognised historically based on these monthly or quarterly statements was received over a two-year period, the Company reflected a $19 million pre-tax increase to retained earnings at the adoption date for the portion of revenue that would otherwise have been recognised during 2018 related to policies effective in 2017 or prior years. For the year ended 31 December 2018, this accounting change resulted in no revenue change related to this adjustment.

h. Within Operating expenses, Net employee costs have been affected by the guidance for deferred costs. The Company's accounting for these deferred costs has changed for arrangements with broking associated costs, that now meet the criteria for cost deferral under IFRS 15:

This guidance now applies to the Company's broking arrangements. Costs deferred for broking arrangements will typically be amortised within one year. The Company has increased pre-tax retained earnings by $12 million primarily to reflect the total changes to contract costs as of the adoption date. For the year ended 31 December 2018, these changes resulted in Operating expenses increasing by $1 million.

i. The tax charge for the year ended 31 December 2018 was the same as the charge on the former IAS 18 *Revenue* basis. The tax charge was calculated based on the statutory rates applicable to adjustments made. Where applicable, a statutory rate of 19% was used. There was a $6 million net tax reduction to retained earnings at 31 December 2018 upon adoption of IFRS 15.

Contract Balances

The Company receives payments from customers based on billing schedules or terms as written in its contracts. Those balances denoted as contract assets relate to situations where the Company has completed some or all performance under the contract, however the Company's right to consideration is conditional. Contract assets result most materially in the proportional treaty broking business. Deferred revenue (within Accruals and deferred income) relates to payments received in advance of performance under the contract, and is recognised as revenue as (or when) the Company performs under the contract.

During the year ended 31 December 2018, revenue of approximately $40 million was recognised that was reflected as deferred revenue at 1 January 2018. The primary driver for the changes in contract assets and liabilities from 1 January 2018 to 31 December 2018 was the collection of cash, which either reduced the contract assets, or added additional deferred revenue.

During the year ended 31 December 2018, the Company recognised no material revenue related to performance obligations satisfied in a prior period.

3. Brokerage and fees (continued)

Performance Obligations

The Company has contracts for which performance obligations have not been satisfied at 31 December 2018 or have been partially satisfied at 31 December 2018. The following table shows the expected timing for the satisfaction of the remaining performance obligations. This table does not include contract renewals nor variable consideration, which was excluded from the transaction prices in accordance with the guidance on constraining estimates of variable consideration.

In addition, the Company has elected not to disclose the remaining performance obligations when one or both of the following circumstances apply:

- Performance obligations which are part of a contract that has an original expected duration of less than one year; and
- Performance obligations satisfied in accordance with IFRS 15 paragraph B16 ('right to invoice').

	2019	2020 onwards	Total
	$m	$m	$m
Revenue expected to be recognised on contracts as of 31 December 2018	—	—	—

Since most of the Company's contracts are cancellable with less than one year's notice, and have no substantive penalty for cancellation, the majority of the Company's remaining performance obligations as of 31 December 2018 has been excluded from the table above.

Costs to obtain or fulfil a contract

The Company incurs costs to obtain or fulfil contracts which it would not incur if a contract with a customer was not executed.

The following table shows the categories of costs that are capitalised and deferred over the expected life of a contract.

	Costs to fulfil
	$m
Balance at 1 January 2018	24
New capitalised costs	91
Amortisation	(91)
Balance at 31 December 2018	24

4. Other income	**2018 $m**	2017 $m
Other income	**2**	—

On 11 July 2018 the Company reached agreement with a competing company concerning the acts and/or omissions of the competitor and certain other parties following the recruitment of a number of company employees and the appropriation of business from the Company's Insolvency practice. As part of the agreement the competing company agreed to pay to the Company the sum of £1.4 million ($1.8 million).

5. Operating profit	**2018 $m**	2017 $m
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets (note 14)	**2**	3
Amortisation of intangible assets (note 13)	**8**	6
Impairment of software and development costs (note 13)	—	6
Current service cost of pension schemes:		
- defined benefit scheme (note 22)	**18**	32
- defined contribution scheme (note 22)	**10**	16
Defined benefit scheme past service cost (note 22)	**36**	—
Net foreign currency exchange differences	**65**	(2)

The foreign exchange loss of $65 million (2017: $2 million gain) shown in the profit and loss account is mainly attributable to the fluctuation in the value of pound sterling and the Euro to the US dollar during the year in relation to intercompany assets and liabilities, the defined benefit pension scheme net asset and the close out of forward currency sale contracts.

Auditor's remuneration

	2018 $000	2017 $000
Statutory financial statements audit fee	**1,015**	1,013
Audit-related assurance services	**89**	95
	1,104	1,108

Auditor's remuneration of $1,015,000 (£750,000) (2017: $1,013,000 (£750,000)) was borne by another group company.

6. Employee costs	2018 $m	2017 $m
Salaries and incentives	**441**	454
Social security costs	**46**	41
Pension costs:		
- defined benefit scheme (note 22)	**54**	32
- defined contribution scheme (note 22)	**10**	16
Gross employee costs	**551**	543
Amounts borne by fellow subsidiary undertakings	**(75)**	(90)
Net employee costs	**476**	453

Number of employees – average for the period	2018 Number	2017 Number
Client service and insurance broking	**1,889**	1,925
Support services	**1,355**	1,318
	3,244	3,243

Pension costs for the defined benefit scheme include only those items included within operating expenses. Further details of those items and those recorded in interest receivable and similar income and the statement of comprehensive income are presented in note 22.

A number of the Company's employees are seconded to other subsidiary undertakings within WTW. The employment costs of those employees, including salaries, social security and pension costs, are borne and accounted for by those subsidiary undertakings. The costs borne by those subsidiary undertakings decreased from $90 million in 2017 to $75 million in 2018.

The Company recognised total expenses in 2018 of $7 million (2017: $20 million) related to equity-settled share-based payment transactions to employees and $1 million related to cash-settled share-based payments (these are included within salaries and incentives above). Further details are presented in note 27.

7. Directors' remuneration

	2018 $000	2017 $000
Emoluments (excluding pension contributions, benefits and long-term incentive awards)	**6,683**	7,395
Benefits	**13**	15
Pension contributions	**200**	254
Amounts receivable under long-term incentive rewards	**4,587**	5,372
	11,483	13,036
Highest paid Director:		
Emoluments (excluding pension contributions, benefits and long-term incentive awards)	**1,316**	1,809
Benefits	**1**	1
Pension contributions	**30**	30
Amounts receivable under long-term incentive rewards	**2,892**	2,794
	4,239	4,634
Exercise of share options during the year	**2,889**	2,436

	2018 Number	2017 Number
Directors exercising share options	**7**	8
Directors receiving shares under long-term incentive plans	**8**	8
Directors eligible for defined benefit pension schemes	**1**	2
Directors eligible for defined contribution pension schemes	**4**	6

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

8. Loss on disposal of books of business

	2018 $m	2017 $m
Loss on disposal of books of business	**—**	1

9. Restructuring costs

	2018 $m	2017 $m
Restructuring costs	**—**	4

The restructuring costs in 2017 consisted of $3 million of accelerated amortisation of systems costs and $1 million of professional fees relating to consultancy services.

10. Interest receivable and similar income	2018 $m	2017 $m
Bank interest receivable	2	1
Interest receivable from group undertakings	10	6
Total interest income for financial assets measured at amortised cost	**12**	7
Other finance income		
Return on pension scheme assets (note 22)	81	77
Interest on pension scheme liabilities (note 22)	(68)	(65)
	13	12
Total interest receivable and similar income	**25**	19

11. Tax charge	2018 $m	2017 $m
(a) Analysis of charge for the year		
Current tax:		
UK corporation tax	26	21
Adjustments in respect of prior periods	(1)	(1)
Total current income tax	25	20
Deferred tax:		
Origination and reversal of timing differences	6	9
Impact of changes in tax rates	—	(1)
Adjustments in respect of prior periods	(1)	—
Foreign exchange on deferred tax	(7)	7
Total deferred tax (note 11(e))	(2)	15
Tax expense in the income statement (note 11(c))	**23**	35

	2018 $m	2017 $m
(b) Tax relating to items charged or credited to other comprehensive income		
Deferred tax:		
Actuarial losses/(gains) on defined benefit pension scheme	10	(23)
Net gain on revaluation of cash flow hedges	(1)	(13)
Total deferred tax	9	(36)
Tax credit/ (expense) in the statement of other comprehensive income	**9**	(36)

11. Tax charge (continued)

	2018 $m	2017 $m
(c) Reconciliation of the total tax charge		
The tax assessed for the year is lower than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017:19.25%). The differences are explained below:		
Profit before taxation	**161**	161
Tax calculated at UK standard rate of corporation tax of 19% (2017: 19.25%)	**31**	31
Effects of:		
Expenses not deductible for tax purposes	**2**	1
Share-based payment relief	**(4)**	(2)
Changes in deferred tax laws and rates	**—**	(1)
Tax overprovided in previous years	**(2)**	(1)
Other adjustments including the effects of exchange rates and differences in aggregated deferred and current tax rates	**(4)**	7
Total tax expense in the income statement (note 11(a))	**23**	35

(d) Change in corporation tax rate

The Finance Act 2013 set the rate of UK corporation tax at 20% with effect from 1 April 2015. The Finance (No.2) Act 2015, which received royal assent on 18 November 2015, reduced the rate 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 2018, they have been reflected in these financial statements.

11. Tax charge (continued)

(e) Deferred tax	**2018 $m**	2017 $m
The deferred tax included in the company balance sheet is as follows:		
Deferred tax liability		
Timing difference on pension asset	**(100)**	(114)
	(100)	(114)
Deferred tax asset		
Timing difference on share-based payments	**4**	5
Timing difference on general provisions	**4**	5
Capital allowances	**(2)**	(2)
Derivatives	**2**	3
	8	11
Presented on the balance sheet		
Deferred tax asset (note 16)	**8**	11
Included in pension asset (note 22)	**(100)**	(114)
	(92)	(103)

Deferred tax assets have been recognised to the extent they are regarded as more likely than not as being recoverable either against the Company's own future profits or by way of group relief against the future profits of fellow UK WTW companies.

Deferred tax in the income statement	**2018 $m**	2017 $m
Pensions	**1**	5
Share-based payments	**3**	3
Changes in tax laws and rates	**—**	(1)
Accrued expenses not deductible	**1**	1
Foreign exchange on non-USD assets	**(7)**	7
Total deferred tax (note 11(a))	**(2)**	15

12. Dividends paid and proposed	**2018 $m**	2017 $m
Equity dividends on ordinary shares:		
Interim paid 31 July 2018 $1.18 per share (29 June 2017: $1.76 per share)	**124**	185
	124	185

13. Intangible assets	Acquired customer relationships $m	Software and development costs $m	Goodwill $m	Total intangible assets $m
Cost				
1 January 2018	25	21	186	232
Additions	—	6	—	6
31 December 2018	**25**	**27**	**186**	**238**
Amortisation				
1 January 2018	9	4	—	13
Amortisation charge	4	4	—	8
31 December 2018	**13**	**8**	**—**	**21**
Carrying amount 31 December 2018	**12**	**19**	**186**	**217**
Carrying amount 31 December 2017	16	17	186	219

All intangible fixed assets are considered to have finite lives.

Software and development costs includes internally generated software development costs relating to the development of systems to support our insurance broking activities. At 31 December 2018, the carrying amount was $19 million (2017: $17 million). These intangible assets are being amortised on a straight line basis and have a remaining amortisation period of between 1 and 6 years.

At 31 December 2018, accumulated impairment losses were $6 million (2017: $6 million), arising from an impairment charge recorded in 2017 following a review of non-strategic systems.

14. Tangible fixed assets	Freehold land and buildings $m
Cost or valuation	
1 January 2018	42
Additions	1
31 December 2018	**43**
Depreciation	
1 January 2018	14
Charge for the year	2
31 December 2018	**16**
Carrying amount 31 December 2018	**27**
Carrying amount 31 December 2017	28

15. Investments held as fixed assets	Unquoted equity investments $m	Subsidiary undertakings $m	Total $m
Cost or fair value			
1 January 2018	1	5	6
Disposals (see below)	(1)	—	(1)
31 December 2018	—	5	5

In the opinion of the Directors, the fair value of the shares in the subsidiary undertakings is not less than the amount shown in the balance sheet.

During the year, the Company disposed of the remaining element of its holding in Erimus Holdings Teeside Limited.

The Company's investment in subsidiary undertakings represents the recoverable amount of its holding in PPH Limited.

The Company's subsidiaries and associated undertakings at 31 December 2018 are as follows:

Subsidiary undertakings:

	Percentage of share capital held	Class of share	Country of incorporation
Holding Company			
Glencairn UK Holdings Limited *	100%	Ordinary of £1 each	United Kingdom [1]
PPH Limited *	100%	Ordinary of £1 each	Bermuda [2]
The CORRE Partnership Holdings Limited	100%	Ordinary of £1 each	United Kingdom [1]
Insurance Broking			
Faber Global Limited	100%	Ordinary of £1 each	United Kingdom [1]
Prime Professions Limited	100%	Ordinary of £1 each	United Kingdom [1]

* Owned directly by Willis Limited; all other undertakings are indirectly held. All undertakings operate principally in the country of their incorporation.

[1] Registered office: 51 Lime Street, London, England, EC3M 7DQ.
[2] Registered office: Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda.

16. Debtors	2018 $m	2017 $m
Amounts falling due within one year:		
Trade debtors	**253**	270
Amounts owed by group undertakings	**440**	387
Other debtors	**2**	—
Prepayments and accrued income	**60**	42
Deferred contract costs	**24**	—
Retention awards	**4**	4
VAT receivable	**2**	2
Derivative financial instruments	**2**	11
Deferred tax asset (note 11)	**7**	10
	794	726
Amounts falling due after more than one year:		
Trade debtors	**18**	30
Prepayments and accrued income	**2**	—
Retention awards	**3**	2
Other debtors	**—**	1
Deferred tax asset (note 11)	**1**	1
Total	**24**	34
	818	760

17. Creditors: amounts falling due within one year	2018 $m	2017 $m
Trade creditors	**39**	18
Amounts owed to group undertakings	**197**	168
Amounts owed to group undertakings in respect of corporation taxation group relief	**34**	19
Other creditors	**9**	5
Derivative financial instruments	**13**	29
Accruals and deferred income	**147**	181
	439	420

18. Fiduciary liabilitics	2018 $m	2017 $m
Amounts falling due within one year:		
Fiduciary trade creditors	**1,128**	1,210

19. Creditors: amounts falling due after more than one year	2018 $m	2017 $m
Accruals and deferred income	**2**	7
	2	7

20. Provisions for liabilities	Post placement services $m	Claims and lawsuits $m	Total $m
1 January 2018			
Current	8	11	**19**
Non-current	—	21	**21**
	8	32	**40**
Adjustments due to IFRS 15:			
Current	—	—	**—**
Non-current	12	—	**12**
1 January 2018 restated			
Current	8	11	**19**
Non-current	12	21	**33**
	20	32	**52**
Additional provisions made	—	7	**7**
Provision release	—	(12)	**(12)**
Charged to profit and loss account	(2)	—	**(2)**
Utilised in the year	—	(6)	**(6)**
31 December 2018	**18**	**21**	**39**
Analysed as:			
Current	**7**	**3**	**10**
Non-current	**11**	**18**	**29**
	18	**21**	**39**

Post placement services provision:

The provision comprises an estimate of the future liabilities that arise from the placement of policies in this year and from previous years. The provision is based upon three key assumptions:

- the length of time the Company is obliged to provide post placement services;
- the number of claims we are likely to process in that time; and
- the average cost per claim.

The Company seeks to limit its exposure to such liabilities through the use of appropriately worded 'Terms of Business Agreements' with clients.

The opening balance has been restated following implementation of IFRS 15 - see note 3.

Claims and lawsuits provision (including errors and omissions provisions):

The provision comprises estimates for liabilities that may arise from actual and potential claims and lawsuits for errors and omissions from the Company's insurers. Where some of the potential liability is recoverable under insurance arrangements, the full assessment of the liability is included in the provision with the associated insurance recovery shown within amounts receivable from group undertakings. Insurance recoveries recognised at 31 December 2018 amounted to $2 million (31 December 2017: $9 million).

21. Called up share capital	2018 $m	2017 $m
Allotted, called up and fully paid		
105,000,000 (2017: 105,000,000) ordinary shares of $1 each	**153**	153

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

22. Pensions

Defined Benefit Scheme

The Company operates a defined benefit pension scheme in the UK on behalf of its employees and employees working for or seconded to other subsidiary companies of Willis Towers Watson plc. This scheme was closed to new entrants in January 2006. A full actuarial valuation was carried out at 31 December 2018 by a qualified independent actuary. The major assumptions used for the actuarial valuation were:

	2018 %	2017 %	2016 %
Rate of increase in pensions in payment (LPI 5%)	**3.0**	3.1	3.1
Rate of increase in pensions in payment (LPI 2.5%)(i)	**1.7**	1.7	1.8
Discount rate PBO	**2.8**	2.6	2.5
Discount rate service cost	**2.9**	2.7	2.6
Discount rate interest cost on PBO	**2.6**	2.3	2.3
Discount rate interest rate on service cost	**2.8**	2.5	2.4
Inflation assumption (RPI)	**3.2**	3.2	3.3
Inflation assumption (CPI)	**2.2**	2.2	2.15
Mortality (ii)	**86%/86% S2NA for males/ females, CM1% long-term improvement**	86%/86% S1NA for males/ females, CM1% long-term improvement	80%/98% PNA00 for males/ females, CM1% long-term improvement

(i) Based on CPI inflation.

(ii) S2NA, S1NA and PNA00 represent mortality tables; CMI represents assumed improvement in mortality.

Analysis of the amount charged to operating profit	2018 $m	2017 $m
Current service cost	**16**	30
Administrative expense	**2**	2
Past service cost	**36**	—
Total operating charge	**54**	32

During 2018, the UK High Court ruled that guaranteed minimum pension benefits must be equalised between men and women, resulting in an increase to the benefit obligation for most UK defined benefit pension schemes. For the scheme operated by the Company, this resulted in a $36 million charge before taxation in respect of past service cost and an increase to the value of the scheme obligation.

22. Pensions (continued)

Defined Benefit Scheme (continued)

Analysis of the amount credited to interest receivable and similar income:	2018	2017
	$m	$m
Interest income on pension scheme assets	(81)	(77)
Interest cost on pension scheme liabilities	68	65
Net interest on the net defined benefit pension scheme asset	(13)	(12)

Analysis of the amount recognised in other comprehensive income (before deferred tax):	2018	2017
	$m	$m
Return on pension scheme assets (excluding interest income)	(145)	169
Actuarial experience losses and gains arising on the scheme liabilities	(35)	(74)
Changes in actuarial demographic assumptions underlying the present value of the scheme liabilities	13	9
Changes in actuarial financial assumptions underlying the present value of the scheme liabilities	109	33
	(58)	137

Analysis of amounts included in the balance sheet:	2018	2017
	$m	$m
Fair value of scheme assets	3,212	3,643
Present value of scheme liabilities	(2,623)	(2,969)
Surplus	589	674
Related deferred tax liability (note 11(e))	(100)	(114)
Net pension asset	489	560

Movements in fair value of scheme assets during the year:	2018	2017
	$m	$m
At 1 January	3,643	3,245
Interest income on assets	81	77
Contributions from the Company	56	42
Contributions from the scheme members	1	1
Benefits paid	(73)	(68)
Settlements and curtailments	(133)	(128)
Administration expenses	(2)	(2)
Return on assets excluding amounts included in net interest	(145)	169
Exchange adjustments	(216)	307
At 31 December	3,212	3,643

22. Pensions (continued)

Defined Benefit Scheme (continued)

Movements in present value of scheme liabilities during the year:	**2018**	2017
	$m	$m
At 1 January	**2,969**	2,776
Current service cost	**18**	30
Interest cost	**68**	65
Contributions from the scheme members	**1**	1
Past service cost	**36**	—
Benefits paid	**(73)**	(68)
Settlements and curtailments	**(133)**	(128)
Actuarial (gain)/loss	**(87)**	32
Exchange adjustments	**(176)**	261
At 31 December	**2,623**	2,969

Analysis of scheme assets and expected return:	Fair value of assets	
	2018	2017
	$m	$m
Equity instruments	**267**	1,295
Debt instruments	**1,461**	1,683
Other	**1,484**	665
	3,212	3,643

The actual return on scheme assets for the year ended 31 December 2018 was a loss of $64 million (2017: gain of $246 million).

Fair value hierarchy

The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value:

- Level 1: refers to fair values determined based on quoted market prices in active markets for identical assets;
- Level 2: refers to fair value estimated using observable market based inputs or unobservable inputs that are corroborated by market data; and
- Level 3: includes fair values estimated using unobservable inputs that are not corroborated by market data.

The following table presents, at 31 December 2018, for each of the fair value hierarchy levels, the Company's UK pension plan assets that are measured at fair value on a recurring basis:

22. Pensions (continued)

Defined Benefit Scheme (continued)

	Fair value of plan assets as at 31 December 2018			
	Level 1	Level 2	Level 3	Total
	$m	$m	$m	$m
Equity securities:				
US equities	—	142	—	142
UK equities	—	14	—	14
Other equities	—	111	—	111
Fixed income securities:				
UK Government bonds	1,804	—	—	1,804
UK corporate bonds	297	—	—	297
Repurchase agreements	—	(684)	—	(684)
Derivatives	—	43	—	43
Real estate	—	—	184	184
Cash and cash equivalents	114	—	—	114
Other investments:				
Hedge funds	—	726	457	1,183
Other	—	4	—	4
Total	2,215	356	641	3,212

On 30 March 2018, the Company agreed a revised schedule of contributions towards on-going accrual of benefits and deficit funding contributions which the Company is making to the UK Plan to the end of 2024 commencing 1 April 2018. Based on this agreement, deficit funding contributions in 2019 will total approximately £25 million ($32 million) and ongoing contributions (excluding salary sacrifice) will total approximately £14 million ($18 million).

The previously agreed contribution levels applied throughout 2017 and cover the period to 31 March 2018. The contributions paid by the Company for 2018 (excluding salary sacrifice contributions) amounted to £38 million ($49 million), comprising £14 million ($18 million) regular contributions and £24 million ($31 million) towards funding the deficit. The contributions paid by the Company for 2017 (excluding salary sacrifice contributions) amounted to £29 million ($39 million), comprising £12 million ($16 million) regular contributions and £17 million ($23 million) towards funding the deficit.

With all other assumptions held constant, as at 31 December 2018:

- a 0.25% increase in the discount rate would decrease plan liabilities by approximately £86 million ($109 million);
- a 0.25% increase in the inflation assumption would increase plan liabilities by approximately £39 million ($50 million); and
- a 1 year increase in the mortality assumption would increase plan liabilities by approximately £41 million ($52 million).

As the above sensitivity analysis held all other assumptions constant, the results are not necessarily indicative of those that would occur given the interdependence of assumptions in practice.

Defined Contribution Scheme

The Company has operated a defined contribution scheme for new entrants since 1 January 2006, for which the pension cost charge for the year amounted to £8 million ($10 million) (2017: £12 million ($16 million)).

23. Forward sale of currency

The Company earns revenue in a number of different currencies, principally US dollars, pounds sterling, Euro and Japanese Yen, but incurs expenses almost entirely in pounds sterling.

The Company hedges the risk as follows:

- To the extent that forecast pound sterling expenses exceed pound sterling revenues, WTW limits its exposure to this exchange rate risk by the use of forward contracts matched by specific, clearly identified cash outflows arising in the ordinary course of business; and
- The UK operations of WTW also earn significant revenues in Euros and Japanese Yen. The exposure to changes in the exchange rate between the US dollar and these currencies is limited by the use of forward contracts matched to a percentage of forecast cash inflows in specific currencies and periods.

The Company participates in WTW's risk management activities in relation to foreign exchange risk. Derivative fair values are estimated using observable market-based inputs or unobservable inputs that are corroborated by market data. Forward contracts for the purchase/sale of foreign currencies are entered into by another subsidiary undertaking. The Company then enters into back-to-back contracts with that subsidiary undertaking. At 31 December 2018 thc Company has entered into back-to-back forward contracts for the purchase/sale of foreign currencies in accordance with this policy. The fair value of the forward contract assets were $2 million and of the liabilities was $13 million (2017: $11 million and $29 million respectively).

These forward contracts are summarised below:

Contracts maturing:	**Purchase GBP Million/Rate to USD**	**Sale EUR Million/Rate to USD**	**Sale JPY Million/Rate to USD**
1 January 2019 to 31 December 2019	134.5m/ 1.360	40.0m/ 1.195	1,775.0m/ 104.344
1 January 2020 to 31 December 2020	50.0m/ 1.360	12.5m/ 1.222	425.0m/ 103.816

24. Contingent liabilities

Claims, lawsuits and other proceedings

Stanford Financial Group

As of 1 April 2011 Willis Limited was joined in its parent company's, Willis Towers Watson plc, ongoing litigation in the Federal Court in Texas with Stanford Financial Group ('the Action'). On 31 March 2016, Willis Towers Watson plc and a number of its subsidiaries including the Company (together 'Willis Towers Watson') entered into a settlement in principle to eliminate the distraction, burden, expense and uncertainty of further litigation. The settlement terms provided that the parties understood and agreed that there is no admission of liability or wrongdoing by Willis Towers Watson. Willis Towers Watson expressly denies any liability or wrongdoing with respect to the matters alleged in the Stanford litigation. The parties have agreed in principle to settle and dismiss the Action for a one-time cash payment, for which the Company will not incur any costs nor make any payments. The settlement also includes the parties' agreement to seek the Court's entry of bar orders prohibiting any continued or future litigation against Willis Towers Watson relating to Stanford, whether asserted to date or not. Final Court approval of these bar orders is a condition of the settlement.

On 7 September 2016, the plaintiffs in the Action filed with the Court a motion to approve the settlement. On 19 October 2016, the Court preliminarily approved the settlement. Several of the plaintiffs in related actions objected to the settlement and a hearing to consider final approval of the settlement was held on 20 January 2017, after which the Court reserved decision. On 23 August 2017, the Court approved the settlement, including the bar orders. Several of the objectors appealed the settlement approval and bar orders to the Fifth Circuit. The briefing related to the appeals is now completed and oral argument on the appeals was heard on 3 December 2018. There is no date certain for when the appeal will be decided.

There is no indication that these actions will give rise to any future losses or payment by the Company and as a result no provision has been made.

24. Contingent liabilities (continued)

European Commission and FCA Regulatory Investigations

On 4 April 2017, the FCA informed the Company that it had opened a formal investigation into possible agreements/concerted practices in the aviation broking sector.

In October 2017, the European Commission ('Commission') disclosed to WTW that it has initiated civil investigation proceedings in respect of a suspected infringement of EU competition rules involving several broking firms, including the Company and one of its parent entities. In particular, the Commission has stated that the civil proceedings concern the exchange of commercially sensitive information between competitors in relation to aviation and aerospace insurance and reinsurance broking products and services in the European Economic Area, as well as possible coordination between competitors. The initiation of proceedings does not mean there has been a finding of infringement, merely that the Commission will investigate the case. We are providing information to the Commission as requested.

When the Commission initiated these proceedings, the FCA closed its related competition investigation, but still retained jurisdiction over broking regulatory matters arising from this conduct. In early 2018, the FCA advised that it will not be taking enforcement action against Willis Limited in connection with any such broking regulatory matters.

In May 2018, the Korea Fair Trade Commission ('KFTC') disclosed to us that it is investigating alleged cartels in the insurance broking industry. The KFTC has since requested information related to, among other topics, the aviation and aerospace insurance brokerage market and exchanges of information between brokers about insurance policies.

In January 2019, the Brazil Conselho Administrativo de Defesa Economica ('CADE') launched an administrative proceeding to investigate alleged sharing of competitive and commercially sensitive information in the insurance and reinsurance brokerage industry for aviation and aerospace and related ancillary services. The CADE identified 11 entities under investigation, including Willis Group Limited, one of our parent companies.

Given the status of these investigations, the Company is currently unable to assess the terms on which they will be resolved, or any other regulatory matter or civil claims emanating from the conduct being investigated, will be resolved, and thus is unable to provide an estimate of the reasonably possible loss or range of loss.

London Wholesale Insurance Broker Market Study

In November 2017, the FCA published its Terms of Reference for its Market Study into insurance broking activities in the London Wholesale Market including market power, conflicts of interest and broker conduct. This was an industry-wide inquiry and not particular to the Company. The FCA originally aimed to issue an interim report in or about the first quarter of 2019. The Study had been expected to take two years to conclude. Two of the Company's subsidiaries responded to extensive data requests which had phased response times through May 2018. It was possible that outcomes of the Study could include new rules, changes to market practices, referral to the UK Competition & Markets Authority for a market investigation, and/or individual firm investigations on specific issues. On February 20, 2019, the FCA published its report in final form and closed its study, finding amongst other things that it had 'not found evidence of significant levels of harm to competition that require intrusive remedies'. The FCA also said it planned to continue to monitor the market as part of its normal supervision function, including in relation to broker business models and the effectiveness of competition. It further said it planned to engage with individual firms on a number of related issues and would continue to assess specific firms' compliance with regulatory obligations, including conflict of interest, as part of its normal supervisory function. To date, the Company has not received any comment on its practices from the FCA.

25. Directors' interests in contracts

The Company and other insurance broking subsidiary undertakings of Willis Towers Watson plc place risks with syndicates in which the Directors or connected persons (as defined in Section 252 of the Companies Act 2006) participate in the normal course of their broking activities on the same basis as they do with other Lloyd's syndicates.

26. Related party transactions

During the year the Company transacted in the ordinary course of business brokerage with associated undertakings listed below. Amounts owed by and to associated undertakings are disclosed in notes 16 and 17. These amounts all relate to trading.

	2018	2017
	$m	$m
Al-Futtaim Willis LLC	**2**	2
Willis Towers Watson India Insurance Brokers Private Limited	**2**	2
Willis Saudi Arabia Company LLC	**2**	5
	6	9

FRS101 (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.

27. Share-based payments

Share-based Plans

On 31 December 2018, Willis Towers Watson plc, the ultimate parent company of Willis Limited, had a number of open share-based compensation plans, which provide for the grant of time-based and performance-based options, time-based and performance-based restricted stock units and various other share-based grants to employees of Willis Limited. The objectives of these plans include attracting and retaining the best personnel, motivating management personnel by means of growth-related incentives to achieve long-range goals and providing employees with the opportunity to increase their share ownership in Willis Limited. All of WTW's share-based compensation plans under which any options, restricted stock units or other share-based grants are outstanding as of 31 December 2018 are described below.

The Company recognised total operating expense in 2018 of $7 million (2017: $20 million) related to equity-settled share-based payment transactions.

2012 Equity Incentive Plan

This plan, which was established on 25 April 2012, provides for the granting of incentive stock options, time-based or performance-based non statutory stock options, share appreciation rights, restricted shares, time-based or performance-based restricted share units, performance-based awards and other share-based grants or any combination thereof (collectively referred to as 'Awards') to employees, officers, non-employee directors and consultants ('Eligible Individuals') of WTW. The Board of Directors of Willis Towers Watson plc also adopted a sub-plan under the 2012 plan to provide an employee sharesave scheme in the UK.

27. Share-based payments (continued)

2012 Equity Incentive Plan (continued)

There were approximately 7 million shares available for grant under this plan as of 31 December 2018. Options are exercisable on a variety of dates, including from the second, third, fourth or fifth anniversary of the grant date. Unless terminated sooner by the Board of Directors of Willis Towers Watson plc, the 2012 Plan will expire 10 years after the date of its adoption. That termination will not affect the validity of any grants outstanding at that date.

Option Valuation Assumptions

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model. Expected volatility is based on historical volatility of Willis Towers Watson plc' shares. WTW uses the simplified method set out in the Financial Accounting Standards Board's ('FASB') Accounting Standard Codification ('ASC') 718-*Compensation - Stock Compensation* to derive the expected term of options granted as it does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term. The risk-free interest rate for periods within the expected life of the option is based on the US Treasury yield curve in effect at the time of grant.

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2018 was $155.72.

The fair value of each time-based restricted stock unit is based on the grant date fair value. The fair value of each performance-based restricted stock unit is estimated on the grant date using a Monte-Carlo simulation that uses the following assumptions: Expected volatility is based on the historical volatility of WTW's shares. The risk-free rate is based on the US Treasury yield curve in effect at the time of the grant.

Details of the range of exercise prices and the weighted average contractual life of share options outstanding at 31 December 2018 are as follows:

	Options outstanding (thousands)	Weighted average remaining contractual life
Range of exercise prices [(1)]		
$72.11 - $80.57	34	1.25 years
$80.58 - $92.84	76	1.94 years
$92.85 - $106.06	2	0.25 years
$106.07 - $116.68	103	2.64 years
$116.69 - $147.26	90	2.93 years
	305	2.38 years

[(1)] Certain options are exercisable in pounds sterling and are converted to dollars using the exchange rate at 31 December 2018.

28. Change in accounting policy - fiduciary debtors, fiduciary creditors and fiduciary cash

As part of implementing IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' for the year ended 31 December 2018, the Company has revisited the presentation of Insurance broking assets and liabilities. Historically, there was considerable industry diversity over the accounting for such balances. Previously, the fiduciary receivables and liabilities, for uncollected premium and claims, were shown by the Company on a gross basis, however, for the reasons explained in the accounting policies note, the Company has now concluded that it is more appropriate to no longer recognise such fiduciary receivables and liabilities in the balance sheet.

The impact is to restate the fiduciary receivables presented at 31 December 2017 by $4,369 million and the fiduciary payables by $4,369 million, with no impact to net assets nor the income statement.

The effects of the changes on the Company's 31 December 2017 balance sheet were as follows:

28. Change in accounting policy - fiduciary debtors, fiduciary creditors and fiduciary cash (continued)

	31 December 2017		
	As previously stated	Effect of change	Restated
	$m	$m	$m
Fixed assets			
Intangible assets	219	—	219
Tangible fixed assets	28	—	28
Investments	6	—	6
	253	—	253
Current assets			
Debtors:			
Amounts falling due within one year	726	—	726
Amounts falling due after more than one year	34	—	34
	760	—	760
Fiduciary assets: amounts falling due within one year	4,138	(4,138)	—
Fiduciary assets: amounts falling due after more than one year	231	(231)	—
Deposits and cash: held in fiduciary capacity	1,210	—	1,210
Deposits and cash	149	—	149
	6,488	(4,369)	2,119
Current liabilities			
Creditors: amounts falling due within one year	(420)	—	(420)
Fiduciary liabilities: amounts falling due within one year	(5,340)	4,130	(1,210)
	(5,760)	4,130	(1,630)
Net current assets	728	(239)	489
Total assets less current liabilities	981	(239)	742
Creditors: amounts falling due after more than one year	(7)	—	(7)
Fiduciary liabilities: amounts falling due after more than one year	(239)	239	—
Provisions for liabilities	(40)	—	(40)
Net assets excluding pension plan surplus	695	—	695
Defined pension plan surplus	560	—	560
Net assets including pension plan surplus	1,255	—	1,255
Equity			
Called up share capital	153	—	153
Retained earnings	1,102	—	1,102
Shareholder's equity	1,255	—	1,255

28. Change in accounting policy - fiduciary debtors, fiduciary creditors and fiduciary cash (continued)

The Directors believe that presenting additional information regarding fiduciary receivables and liabilities on a gross basis is useful to the reader of these financial statements. The Company's 31 December 2018 balance sheet is therefore presented below on a pro-forma basis including the gross fiduciary position:

	31 December 2018		
	On previous basis	Effect of change	As presented
	$m	$m	$m
Fixed assets			
Intangible assets	217	—	**217**
Tangible fixed assets	27	—	**27**
Investments	5	—	**5**
	249	—	**249**
Current assets			
Debtors:			
Amounts falling due within one year	794	—	**794**
Amounts falling due after more than one year	24	—	**24**
	818	—	**818**
Fiduciary assets: amounts falling due within one year	3,842	(3,842)	—
Fiduciary assets: amounts falling due after more than one year	171	(171)	—
Deposits and cash: held in fiduciary capacity	1,128	—	**1,128**
Deposits and cash	180	—	**180**
	6,139	(4,013)	**2,126**
Current liabilities			
Creditors: amounts falling due within one year	(439)	—	**(439)**
Fiduciary liabilities: amounts falling due within one year	(4,961)	3,833	**(1,128)**
	(5,400)	3,833	**(1,567)**
Net current assets	739	(180)	**559**
Total assets less current liabilities	988	(180)	**808**
Creditors: amounts falling due after more than one year	(2)	—	**(2)**
Fiduciary liabilities: amounts falling due after more than one year	(180)	180	—
Provisions for liabilities	(39)	—	**(39)**
Net assets excluding pension plan surplus	767	—	**767**
Defined pension plan surplus	489	—	**489**
Net assets including pension plan surplus	1,256	—	**1,256**
Equity			
Called up share capital	153	—	**153**
Cash flow hedging reserve	(11)	—	**(11)**
Retained earnings	1,114	—	**1,114**
Shareholder's equity	1,256	—	**1,256**