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Aon Consulting Limited

Company Number 3127195

Annual Report - 31 December 2017



Aon Consulting Limited
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Aon Consulting Limited
Corporate directory
31 December 2017

Directors	D C Battle S D Byrne (appointed on 24 January 2017, resigned on 1 April 2018) J A Page (appointed on 28 November 2017) A D Tunncliffe (resigned on 1 April 2017) C M Williams (resigned on 26 January 2017)
Company secretary	CoSec 2000 Limited
Registered office	Briarcliff House Kingsmead Farnborough Hampshire GU14 7TE
Auditor	Ernst & Young LLP 25 Churchill Place London E14 5EY

Aon Consulting Limited
Strategic report
31 December 2017

The directors present their Strategic report on the Company for the year ended 31 December 2017.

Aon Consulting Limited (the "Company") is a limited liability company incorporated in the United Kingdom ("UK") under the Companies Act 2006 ("Companies Act") and registered in England and Wales. The address of the registered office is given on the Corporate directory on page 2.

These financial statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Company operates.

The Company reports under Financial Reporting Standard ("FRS") 101, and has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Financial Reporting Council ("FRC") that are mandatory for the current reporting period.

Principal activities

The principal activity of the Company during the year was employee benefits consulting. The company provides consultancy and advisory services specialising in all aspects of employee benefits including flexible benefits, insured benefits, voluntary benefits and pensions.

The Company is authorised and regulated by the Financial Conduct Authority ("FCA") for its consulting activities.

Review of operations

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

	2017	2016	Change	Change
	£'000	£'000	£'000	%
Revenue	60,802	56,821	3,981	7%
Staff costs	(29,652)	(30,257)	605	2%
Administration costs	(28,196)	(24,902)	(3,294)	(13%)
Operating profit	2,954	1,662	1,292	78%

The increase in revenue is mainly due to growth in the Health and Benefits business. The increase in administration costs is largely attributable to an increase in the allocation received for the Aon Network Fee, a cost which is made up of the allocation of various inter-company recharges.

During the year the Company acquired 100% of Portus Consulting Ltd and Portus Consulting (Leamington) Ltd and 99% of Portus On-line LLP for a total consideration of £10m, being £8m paid on the 2nd October 2017, to be followed by two earn out amounts of £1m, the first paid on the 14th February 2018 and the second to follow one year later should the necessary performance conditions be met.

On the 2nd January 2018 the company acquired 100% of the assets and liabilities of Portus Consulting Limited through a Business Transfer Agreement for the total cost of £5,794k.

	2017	2016
	£'000	£'000
Shareholder's funds	77,094	75,481
Net current assets	23,782	31,158

The average number of employees during the year was	<u>361</u>	<u>364</u>
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The directors are satisfied with the position of the Company at the year end and are confident that trading will remain strong in the forthcoming year.

Principal risks and uncertainties

The risk factors set forth below reflect material risks associated with the business and contain "forward-looking statements" as discussed in the "Likely future developments" section below. Readers should consider them in addition to the other information contained in this report as our business, financial condition or results of operations could be adversely affected if any of these risks were to actually occur.

The following are material risks related to our businesses specifically and the industries in which we operate generally that could adversely affect our business, financial condition and results of operations and cause our actual results to differ materially from those included in the forward-looking statements in this document and elsewhere.

Legal and Regulatory risks

Our businesses are subject to extensive governmental regulation, which could reduce our profitability, limit our growth, or increase competition.

Our businesses are subject to extensive legal and regulatory oversight, including the UK Companies Act and the rules and regulations promulgated by the FCA, and a variety of other laws, rules and regulations addressing, among other things, licensing, data privacy and protection, trade restriction and export controls, anti-money laundering, wage-and-hour standards, employment and labour relations, anti-competition, anti-corruption, currency, reserves and government contracting. This legal and regulatory oversight could reduce our profitability or limit our growth by: increasing the costs of legal and regulatory compliance; limiting or restricting the products or services we sell, the markets we serve or enter, the methods by which we sell our products and services, the prices we can charge for our services, or the form of compensation we can accept from our clients, and third parties; or by subjecting our businesses to the possibility of legal and regulatory actions or proceedings.

The nature of our operations increases the complexity and cost of compliance with laws and regulations adding to our cost of doing business. In addition, many of these laws and regulations may have differing or conflicting legal standards across jurisdictions, increasing the complexity and cost of compliance. In emerging markets and other jurisdictions with less developed legal systems, local laws and regulations may not be established with sufficiently clear and reliable guidance to provide us adequate assurance that we are operating our business in a compliant manner with all required licenses or that our rights are otherwise protected. In addition, certain laws and regulations, such as the Bribery Act of 2010 ("UK Bribery Act"), impact our operations outside of the legislating country by imposing requirements for the conduct of our operations.

In addition to the complexity of the laws and regulations themselves, the development of new laws and regulations or changes in application or interpretation of current laws and regulations also increases our legal and regulatory compliance complexity. Additionally, our acquisitions of new businesses and our continued operational changes and entry into new jurisdictions and new service offerings increases our legal and regulatory compliance complexity, as well as the type of governmental oversight to which we may be subject. Changes in laws and regulations could mandate significant and costly changes to the way we implement our services and solutions, could impose additional license requirements or costs to our operations and services, or even cause us to cease offering certain services or solutions. Furthermore, as we enter new jurisdictions or businesses and further develop and expand our services, we may become subject to additional types of laws and policies and governmental oversight and supervision, such as those applicable to the financial lending or other service institutions.

The applicable laws and regulations are subject to amendment or interpretation by regulatory authorities. Generally, such authorities are vested with relatively broad discretion to grant, renew, and revoke licenses and approvals and to implement regulations. Accordingly, we may have a license revoked or be unable to obtain new licenses and therefore be precluded or temporarily suspended from carrying on or developing some or all of our activities or otherwise fined or penalised. No assurances can be given that our business can further develop or continue to be conducted in any given jurisdiction as it has been conducted in the past.

In addition, new regulatory or industry developments could result in changes that adversely affect us. These developments include:

- changes in our business compensation model as a result of regulatory actions or changes;
- changes in regulations relating to health and welfare plans, defined contribution, and defined benefit plans, and investment consulting;
- additional regulations promulgated by the FCA, or other regulatory bodies in jurisdictions in which we operate;
- additional requirements respecting data privacy, data security, and data usage in jurisdictions in which we operate that may increase our costs of compliance and potentially reduce the manner in which data can be used by us to develop or further our product offerings.

Changes in the regulatory scheme, or even changes in how existing regulations are interpreted, could have an adverse impact on our results of operations by limiting revenue streams or increasing costs of compliance. For instance, The General Data Protection Regulation (the "GDPR"), effective in May 2018, creates a range of new compliance obligations, increases financial penalties for non-compliance, and extends the scope of the European Union data protection law to all companies processing data of European Union residents, wherever the company's location. Complying with the GDPR will cause us to incur substantial operational costs and may require us to change our business practices.

If we violate the laws and regulation to which we are subject, we could be subject to fines, penalties or criminal sanctions and could be prohibited from conducting business in one or more countries. There can be no assurance that our employees, contractors or agents will not violate these laws and regulations, causing an adverse effect on our operations and financial condition.

In addition, our businesses and operations are subject to heightened regulatory oversight and scrutiny, which may lead to additional regulatory investigations, increased government involvement, or enforcement actions. For instance, increased scrutiny by competition authorities may increase our costs of doing business or force us to change the way we conduct business or refrain from or otherwise alter the way we engage in certain activities. If we fail to control possible resulting conflicts of interest, we could be subject to civil litigation, fines, penalties or criminal sanctions and could be prohibited from participating in one or more lines of business. As regulators and other government agencies continue to examine our operations, there is no assurance that consent orders or other enforcement actions will not be issued by them in the future. These and other initiatives from government officials may subject us to judgements, settlements, fines or penalties, or cause us to be required to restructure or divest operations and activities, all of which could lead to reputational issues, higher operational costs, business disruption, or loss, thereby adversely affecting our business, financial condition, or operating results.

Competition risk

We face significant competitive pressures.

As part of the Aon Group, we compete with global, national, regional and local insurance companies who market and service their own products, other financial services providers, brokers, independent firms, and consulting organisations affiliated with accounting, information systems, technology, and financial services firms. We compete with respect to service, product features, price, commission structure, financial strength, ability to access certain insurance markets, and name recognition.

Our competitors may have greater financial, technical and marketing resources, larger customer bases, greater name recognition, more comprehensive products, stronger presence in certain geographies, or more established relationships with their customers and suppliers than we have. In addition, new competitors, alliances among competitors, or mergers of competitors could emerge and gain significant market share, and some of our competitors may have or may develop a lower cost structure, adopt more aggressive pricing policies, or provide services that gain greater market acceptance than the services that we offer or develop. Competitors may be able to respond to the need for technological changes and innovate faster, or price their services more aggressively. They may also compete for skilled professionals, finance acquisitions, fund internal growth, and compete for market share more effectively than we do. This competition is intensified by an industry trend where clients engage multiple brokers to service different portions of their accounts. If we fail to respond successfully to the competition we face, our financial condition or results of operations might be adversely affected.

If our clients or third parties are not satisfied with our services, we may face additional cost, loss of profit opportunities, damage to our reputation, or legal liability.

We depend, to a large extent, on our relationships with our clients and our reputation for high-quality advice and solutions focused on risk, retirement, and health. If a client is not satisfied with our services, it could cause us to incur additional costs and impair profitability. Many of our clients are businesses that band together in industry groups or trade associations and actively share information among themselves about the quality of service they receive from their vendors. Accordingly, poor service to one client may negatively impact our relationships with multiple other clients. Moreover, if we fail to meet our contractual obligations, we could be subject to legal liability or loss of client relationships.

We could make computational, software programming, or data entry or management errors. A client may claim it suffered losses due to reliance on our consulting advice, which poses risks of liability exposure and costs of defence and increased insurance premiums. In addition, claims arising from our professional services may produce publicity that could hurt our reputation and business and adversely affect our ability to secure new business.

Damage to our reputation could have a material adverse effect on our business.

Our reputation is a key asset of the Company. We advise our clients on and provide services related to a wide range of subjects and our ability to attract and retain clients is highly dependent upon the external perceptions of our level of service, trustworthiness, business practices, financial condition, and other subjective qualities. Negative perceptions or publicity regarding these matters or others could erode trust and confidence and damage our reputation among existing and potential clients, which could make it difficult for us to attract new clients and maintain existing ones. Negative public opinion could also result from actual or alleged conduct by us or those currently or formerly associated with us in any number of activities or circumstances, the use and protection of data and systems, satisfaction of client expectations, and regulatory compliance. This damage to our reputation could affect the confidence of our clients, rating agencies, regulators, stockholders, and third parties in transactions that are important to our business adversely affecting on our business, financial condition, and operating results.

Intellectual property rights and risks

Failure to protect our intellectual property rights, or allegations that we have infringed on the intellectual property rights of others, could harm our reputation, ability to compete effectively, and financial condition.

To protect our intellectual property rights, we rely on a combination of trademark laws, copyright laws, patent laws, trade secret protection, confidentiality agreements, and other contractual arrangements with our affiliates, employees, clients, strategic partners, and others. However, the protective steps that we take may be inadequate to deter misappropriation of our proprietary information. In addition, we may be unable to detect the unauthorised use of, or take appropriate steps to enforce, our intellectual property rights. Further, effective trademark, copyright, patent, and trade secret protection may not be available in every country in which we offer our services or competitors may develop products similar to our products that do not conflict with our related intellectual property rights. Failure to protect our intellectual property adequately could harm our reputation and affect our ability to compete effectively.

In addition, to protect or enforce our intellectual property rights, we may initiate litigation against third parties, such as infringement suits or interference proceedings. Third parties may assert intellectual property rights claims against us, which may be costly to defend, could require the payment of damages and could limit our ability to use or offer certain technologies, products or other intellectual property. Any intellectual property claims, with or without merit, could be expensive, take significant time and divert management's attention from other business concerns. Successful challenges against us could require us to modify or discontinue our use of technology or business processes where such use is found to infringe or violate the rights of others, or require us to purchase licenses from third parties, any of which could adversely affect our business, financial condition and operating results.

Business risks

The profitability of our consulting engagements with clients may not meet our expectations due to unexpected costs, cost overruns, early contract terminations, unrealised assumptions used in our contract bidding process or the inability to maintain our prices.

Our profitability with respect to consulting engagements is highly dependent upon our ability to control our costs and improve our efficiency. As we adapt to changes in our business, adapt to the regulatory environment, enter into new engagements, acquire additional businesses, and take on new employees in new locations, we may not be able to manage our large, diverse and changing workforce, control our costs, or improve our efficiency.

Our profit margin, and therefore our profitability, is largely a function of the rates we are able to charge for our services and the staffing costs for our personnel. Accordingly, if we are not able to maintain the rates we charge for our services or appropriately manage the staffing costs of our personnel, we may not be able to sustain our profit margin and our profitability will suffer. The prices we are able to charge for our services are affected by a number of factors, including competitive factors, cost of living adjustment provisions, the extent of ongoing clients' perception of our ability to add value through our services, and general economic conditions. If we cannot drive suitable cost efficiencies, our profit margins will suffer. Our cost efficiencies may be impacted by factors such as our ability to transition consultants from completed projects to new assignments, our ability to secure new consulting engagements, our ability to forecast demand for consulting services (and, consequently, appropriately manage the size and location of our workforce), employee attrition, and the need to devote time and resources to training and professional and business development.

Operational risk

The UK's withdrawal from the European Union ("Brexit") has created uncertainty about the future relationship between the UK and the European Union as they negotiate the terms of the withdrawal. As the UK and European Union negotiate these terms, we are uncertain about the agreements they will reach on topics such as financial laws and regulations, tax and free trade agreements, immigration laws, and employment laws. Our publicly traded parent is incorporated in the UK and we have significant operations and a substantial workforce therein and therefore enjoy certain benefits based on the UK's membership in the European Union. The lack of clarity about Brexit and the future UK laws and regulations creates uncertainty for us as the outcome of these negotiations may affect our business and operations. Additionally, there is also a risk that other countries may decide to leave the European Union. The uncertainty surrounding Brexit not only potentially affects our business in the UK and the European Union, but may have a material adverse effect on global economic conditions and the stability of global financial markets, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Our inability to successfully recover should we experience a disaster or other business continuity problem could cause material financial loss, loss of human capital, regulatory actions, reputational harm or legal liability.

Our operations are dependent upon our ability to protect our personnel, offices and technology infrastructure against damage from business continuity events that could have a significant disruptive effect on our operations. Should we experience a local or regional disaster or other business continuity problem, such as an earthquake, hurricane, terrorist attack, pandemic, security breaches, power loss, telecommunications failure, or other natural or man-made disaster, our continued success will depend, in part, on the availability of our personnel, our office facilities, and the proper functioning of existing, new or upgraded computer systems, telecommunications, and other related systems and operations. In events like these, while our operational size, the multiple locations from which we operate, and our existing back-up systems provide us with some degree of flexibility, we still can experience near-term operational challenges with regard to particular areas of our operations. We could potentially lose access to key executives, personnel, or client data or experience material adverse interruptions to our operations or delivery of services to our clients in a disaster recovery scenario. A disaster on a significant scale or affecting certain of our key operating areas within or across regions, or our inability to successfully recover should we experience a disaster or other business continuity problem, could materially interrupt our business operations and cause material financial loss, loss of human capital, regulatory actions, reputational harm, damaged client relationships, or legal liability.

We rely on third parties to perform key functions of our business operations enabling our provision of services to our clients. These third parties may act in ways that could harm our business.

We rely on third parties, and in some cases subcontractors, to provide services, data, and information such as technology, information security, funds transfers, data processing, and administration and support functions that are critical to the operations of our business. These third parties include correspondents, agents, insurance markets, data providers, plan trustees, payroll service providers, benefits administrators, software and system vendors, health plan providers, investment managers and providers of human resource, among others. As we do not fully control the actions of these third parties, we are subject to the risk that their decisions, actions, or inactions may adversely impact us and replacing these service providers could create significant delay and expense. A failure by third parties to comply with service level agreements or regulatory or legal requirements, in a high quality and timely manner, particularly during periods of our peak demand for their services, could result in economic and reputational harm to us. In addition, these third parties face their own technology, operating, business, and economic risks, and any significant failures by them, including the improper use or disclosure of our confidential client, employee, or company information, could cause harm to our reputation. An interruption in or the cessation of service by any service provider as a result of systems failures, capacity constraints, financial difficulties, or for any other reason could disrupt our operations, impact our ability to offer certain products and services, and result in contractual or regulatory penalties, liability claims from clients and/or employees, damage to our reputation, and harm to our business.

In connection with the implementation of our corporate strategies, we face risks associated with the acquisition or disposition of businesses, the entry into new lines of business, the integration of acquired businesses, and the growth and development of these businesses.

In pursuing our corporate strategy, we often acquire other businesses or dispose of or exit businesses we currently own. The success of this strategy is dependent upon our ability to identify appropriate acquisition and disposition targets, negotiate transactions on favourable terms, complete transactions and, in the case of acquisitions, successfully integrate them into our existing businesses. If a proposed transaction is not consummated, the time and resources spent pursuing it could adversely result in missed opportunities to locate and acquire other businesses. If acquisitions are made, there can be no assurance that we will realise the anticipated benefits of such acquisitions, including, but not limited to, revenue growth, operational efficiencies, or expected synergies. If we dispose of or otherwise exit certain businesses, there can be no assurance that we will not incur certain disposition related charges, or that we will be able to reduce overhead related to the divested assets.

From time to time, either through acquisitions or internal development, we enter new lines of business or offer new products and services within existing lines of business. These new lines of business or new products and services present the Company with additional risks, particularly in instances where the markets are not fully developed. Such risks include the investment of significant time and resources; the possibility that these efforts will be not be successful; the possibility that the marketplace does not accept our products or services or that we are unable to retain clients that adopt our new products or services; and the risk of additional liabilities associated with these efforts. In addition, many of the businesses that we acquire and develop will likely have significantly smaller scales of operations prior to the implementation of our growth strategy. If we are not able to manage the growing complexity of these businesses, including improving, refining, or revising our systems and operational practices, and enlarging the scale and scope of the businesses, our business may be adversely affected. Other risks include developing knowledge of and experience in the new business, integrating the acquired business into our systems and culture, recruiting professionals, and developing and capitalising on new relationships with experienced market participants. External factors, such as compliance with new or revised regulations, competitive alternatives, and shifting market preferences may also impact the successful implementation of a new line of business. Failure to manage these risks in the acquisition or development of new businesses could materially and adversely affect our business, results of operations, and financial condition.

Information technology system and network risk

We rely on complex information technology systems and networks to operate our business. Any significant system or network disruption due to a breach in the security of our information technology systems could have a negative impact on our reputation, operations, sales and operating results.

We rely on the efficient, uninterrupted, and secure operation of complex information technology systems and networks, some of which are within the Company and some of which are outsourced to third parties. All information technology systems are potentially vulnerable to damage or interruption from a variety of sources, including but not limited to cyber-attacks, computer viruses, security breaches, unauthorised access or improper actions by insiders or employees. We are at risk of attack by a growing list of adversaries through increasingly sophisticated methods of attack. Because the techniques used to obtain unauthorised access or sabotage systems change frequently, we may be unable to anticipate these techniques or implement adequate preventative measures. We regularly experience attacks to our systems and networks and have from time to time experienced cyber security breaches, such as computer viruses, unauthorised parties gaining access to our information technology systems, and similar incidents, which to date have not had a material impact on our business. If we are unable to efficiently and effectively maintain and upgrade our system safeguards, we may incur unexpected costs and certain of our systems may become more vulnerable to unauthorised access. While we select our third party vendors carefully, problems with the information technology systems of those vendors, including breakdowns or other disruptions in communication services provided by a vendor, failure of a vendor to handle current or higher volumes, cyber-attacks, and security breaches at a vendor could adversely affect the Company's ability to deliver products and services to its customers and otherwise conduct its business. These types of incidents affecting us or our third-party vendors could result in intellectual property or other confidential information being lost or stolen, including client, employee, or company data. In addition, we may not be able to detect breaches in our information technology systems or assess the severity or impact of a breach in a timely manner.

We have implemented various measures to manage our risks related to system and network security and disruptions, but a security breach or a significant and extended disruption in the functioning of our information technology systems could damage our reputation and cause us to lose clients, adversely impact our operations, sales and operating results, and require us to incur significant expense to address and re-mediate or otherwise resolve such issues. Additionally, in order to maintain the level of security, service, and reliability that our clients require, we may be required to make significant additional investments in our information technology system.

Recoverability of long term assets and intercompany balances

The risks facing the Company are the recoverability of its investments in subsidiary undertakings and intercompany balances. These risks are managed by the Group's finance team. The Company carries out regular reviews of the recoverability of its investments in subsidiary undertakings and intercompany balances. The directors are satisfied that the carrying values of investments are recoverable and that obligations under the intercompany balances will be met in full.

Goodwill or non-current assets impairment charges

We may be required to record goodwill or other non-current assets impairment charges, which could result in a significant charge to earnings.

We review our non-current assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is assessed for impairment at least annually. Factors that may be considered in assessing whether goodwill or other non-current assets may not be recoverable include a decline in our share price or market capitalisation, reduced estimates of future cash flows and slower growth rates in our industry. We may experience unforeseen circumstances that adversely affect the value of our goodwill or other non-current assets and trigger an evaluation of the recoverability of the recorded goodwill and other intangible assets. Future goodwill or other non-current asset impairment charges could materially impact our consolidated financial statements.

People risk

Our success depends on our ability to retain and attract experienced and qualified personnel, including our senior management team and other professional personnel.

We depend, in material part, upon the members of our senior management team who possess extensive knowledge and a deep understanding of our business and our strategy, as well as the colleagues who are critical to developing and retaining client relationships. The unexpected loss of services of any of these senior leaders could have a disruptive effect adversely impacting our ability to manage our business effectively and execute our business strategy. Competition for experienced professional personnel is intense, and we are constantly working to retain and attract these professionals. If we cannot successfully do so, our business, operating results and financial condition could be adversely affected. While we have plans for key management succession and long-term compensation plans designed to retain our senior management team and critical colleagues, if our succession plans and retention programs do not operate effectively, our business could be adversely affected.

Errors and omissions ("E&O") claims exposure risks

Occasionally, claims alleging professional negligence are made against the Company, some of which, if determined unfavourably, could have a material adverse effect on the operating results of the Company.

E&O matters and other proceedings arising in the ordinary course of business are covered in part by professional indemnity and other appropriate insurance. The structure of these insurances varies by policy with greater emphasis on risk transfer in the Group's E&O insurance program. The Company uses case level reviews by internal counsel with external counsel engaged to advise on specific issues where necessary to establish loss reserves in accordance with applicable accounting standards. These reserves are subject to formal quarterly review and adjusted as developments warrant. Nevertheless, given the inherent unpredictability of E&O claims litigation, it is possible that an adverse outcome in a particular matter could have a material adverse effect on the Company's results and/or cash flows.

The Group's legal, risk and compliance departments support the business in mitigating E&O risk by ensuring that colleagues fully understand the relevant operational controls and policies, and are trained in E&O avoidance.

Financial risk management

Objectives and policies

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk for the Company are currency risk, credit risk and liquidity/cash flow risk. The directors review operations and transactions on an ongoing basis to ensure that any such exposure is managed to minimise any potential risk arising.

Exposure to foreign currency risk

The Company is exposed to foreign exchange risk when it earns revenues, pays expenses, or enters into monetary intercompany transfers or other transactions denominated in a currency that differs from its functional currency. The most significant currencies to which the Company is exposed are the US dollar and Euro. The Company had no material currency exposure as at 31 December 2017.

Exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Company. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of financial position and Notes to the financial statements.

The Company's and Aon Group's policies are aimed at minimising such losses. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The primary area where the Company is exposed to credit risk is amounts due from clients.

The Company's principal financial assets are trade debtors and amounts owed by group undertakings. Details of the Company's debtors are disclosed in note 10.

With the exception of the cash pooling arrangements as detailed in note 28, the Company has no significant concentration of credit risk outside of the Group, with exposure spread over a large number of counterparties and customers.

Exposure to liquidity and cash flow risk

Liquidity and cash flow risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company meets its day to day working capital requirements through operating cash flows, existing cash resources and ultimately if required by access to the Group cash pooling arrangements. The Group manages liquidity risk via revolving credit facilities and long term debt. Liquidity is managed centrally by Aon Corporate Treasury on a global basis to ensure there is sufficient available unutilised capacity on its committed borrowing facilities.

The Aon Group

The Company is an indirect subsidiary of Aon plc, a company listed on the New York Stock Exchange which had net assets of circa. US \$4.6 billion (2016: US \$5.7 billion) as disclosed in its audited financial statements for the year ended 31 December 2017 and had an S&P rating of A-/Stable. The Company benefits from Aon plc and certain fellow Group undertakings for services provided in a wide range of areas including Group credit facilities detailed in note 28 of the financial statements, Group capital injections, and other head office services. The Company continues to benefit from the Group's support and the directors expect this support to continue for the foreseeable future. Availability of this support provides additional mitigation to many of the Company's principle risks.

Likely future developments

The Company remains a market leader in employee benefits consulting in the UK and internationally. The Company maintains its focus on executing a strategy around:

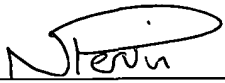
- **Distinctive Client Value:** While each of our clients is unique, they fundamentally expect the same things from Aon: partnership, expertise, innovation, excellence, and results. The Aon Client Promise defines the way we work together with our clients, what clients can expect from us, and the value we will deliver;
- **Broking Excellence:** develop innovative and bespoke insurance solutions that truly address individual client needs, by leveraging relationships with carriers across the global market place;
- **Operational Excellence:** the Company differentiates itself from the competition through operational excellence; and
- **Unmatched Talent:** by having the best talent that builds intellectual capital and drives both thought leadership and execution.

To ensure the successful delivery of the above strategy, the Company has developed strong data and analytical capabilities to ensure it can provide fact-based insight and intelligence to support its clients in increasing staff retention, being an employer of choice or building cost effective benefits solutions.

It is not anticipated that there will be any material change in the activity of the Company in the foreseeable future.

Aon Consulting Limited
Strategic report
31 December 2017

For and on behalf of the Board of Directors



N Pervin
for and on behalf of CoSec 2000 Limited: Company Secretary

8 August 2018

Aon Consulting Limited
Directors' report
31 December 2017

The directors present their report, together with the financial statements, on the Company for the year ended 31 December 2017.

Results

The results for the year and the Company's financial position at the end of the year are shown in the attached financial statements.

Political donations

No political donations were made during the year.

Dividends

Dividends paid during the financial year were as follows:

	2017 £'000	2016 £'000
No interim dividend was paid during the year ending 31 December 2017. An interim dividend of £20,000k was paid on 18 November 2016 to Aon Benfield Limited, the Company's parent.	-	20,000

Likely future developments

Information on likely future developments of the Company are disclosed in the Strategic report.

Principal risks and uncertainties

Information on principal risks and uncertainties of the Company are disclosed in the Strategic report.

Financial Risk Management

Information on the Company's financial risk management is disclosed in the Strategic report.

Employee involvement

The Company's policies and practices keep employees informed on matters relevant to them as employees through regular updates of its internal employee website. The Company continues to take into account the needs of its employees when agreeing to policies which affect them. During the year the Company continued its training and development scheme covering technical, personal and management development programs. Additionally, employees are encouraged to gain professional qualifications with the active support of the Company.

Diversity at Aon

In order to foster diversity within the UK workforce the Group has continued the successful running of its Aon UK Diversity Council. The Council's mission is to champion initiatives throughout the Group by raising awareness of the value of having a diverse workforce and the value of inclusion. Its aim is to create an environment where every employee feels valued, and where their talents are fully utilised. The Council's membership consists of representatives of relevant diversity groups across Aon's businesses in the UK as well as representatives of Aon's senior management and Human Resources department. For the purpose of this initiative, diversity groups are made up of Aon's employees who help the Group to identify and understand the diversity issues facing its workforce. These include: Multicultural Group; Women's International Network; Disability Group; Parent and Carers Group; Age Group; and Aon Pride Alliance. Aon's diversity initiative has several objectives, including encouraging an environment where everyone feels valued and free to be open about their diversity and to widen our talent pool to be seen as an employer of choice by people from all backgrounds.

All employees, regardless of any background, ethnic origin or disability are offered development and promotion opportunities in line with Aon's unmatched talent agenda.

Disabled employees

The Company gives full and fair consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the Company's policy where practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion as appropriate.

Going concern

The directors have prepared a going concern assessment for Aon Consulting Limited for the financial period to August 2019 (reflecting a one-year projection from the date of the signing of the 2017 statutory accounts in August 2018).

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic report.

The Company has considerable financial resources together with long-term relationships with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Company is expected to continue to generate positive cash flows for the foreseeable future. The Company participates in the Group's centralised treasury arrangements and therefore it's liquidity benefits from banking arrangements with its parent and group undertakings.

The directors of the Company are not aware of or have any reason to believe in regard to the Company's ultimate parent entity Aon plc that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current banking arrangements.

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

Events after the reporting period date

On the 2nd January 2018 the company acquired 100% of the assets and liabilities of Portus Consulting Limited through a Business Transfer Agreement for the total cost of £5,794k.

No other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information required in connection with the auditor's report, of which the auditor is unaware. Each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

Ernst & Young LLP are deemed to be reappointed as the Company's auditor in accordance with section 487 of the Companies Act.

Indemnity of directors

The Group has qualifying third party indemnity provisions in place for the benefit of the Company's directors which were in place during the year and remain in force at the date of this report.

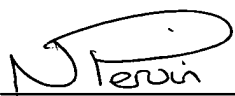
Directors

The current directors and all directors who served during the year and to the date of this report are shown on page 2.

This report is made in accordance with a resolution of directors.

Aon Consulting Limited
Directors' report
31 December 2017

For and on behalf of the Board of Directors

A handwritten signature in black ink, appearing to read 'N Pervin', is written over a horizontal line.

N Pervin

for and on behalf of CoSec 2000 Limited: Company Secretary

8 August 2018

Aon Consulting Limited
Directors' responsibilities statement
31 December 2017

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable UK 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 UK GAAP (United Kingdom Accounting Standards and applicable law). 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 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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.

Opinion

We have audited the financial statements of Aon Consulting Limited for the year ended 31 December 2017 which comprise the Statement of profit or loss and other comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. 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 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

Aon Consulting Limited
Independent auditor's report to the members of Aon Consulting Limited
31 December 2017

- 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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 17, 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.

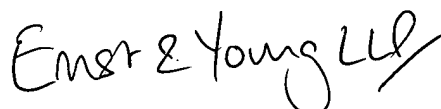
Auditor's responsibilities for the audit of the financial statements

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 Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Michael Purrington (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date 8 AUGUST 2018

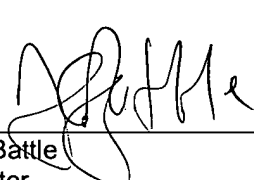
Aon Consulting Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Revenue	3	60,802	56,821
Expenses			
Staff costs	4	(29,652)	(30,257)
Administrative expenses	6	<u>(28,196)</u>	<u>(24,902)</u>
Operating profit		2,954	1,662
Interest receivable and similar income	8	<u>91</u>	<u>194</u>
Profit before income tax charge		3,045	1,856
Income tax charge	9	<u>(995)</u>	<u>(244)</u>
Profit after income tax charge for the year attributable to the owners of Aon Consulting Limited		2,050	1,612
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year attributable to the owners of Aon Consulting Limited		<u><u>2,050</u></u>	<u><u>1,612</u></u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Aon Consulting Limited
Statement of financial position
As at 31 December 2017

	Note	2017 £'000	2016 £'000
Assets			
Current assets			
Trade and other receivables	10	28,549	30,022
Cash and cash equivalents	11	9,597	11,310
		<u>38,146</u>	<u>41,332</u>
Assets held for sale	12	-	34
Total current assets		<u>38,146</u>	<u>41,366</u>
Non-current assets			
Intangibles	13	48,553	51,719
Tangible fixed assets	14	1	4
Investments in subsidiaries	15	9,585	-
Total non-current assets		<u>58,139</u>	<u>51,723</u>
Total assets		<u>96,285</u>	<u>93,089</u>
Liabilities			
Current liabilities			
Trade and other payables	16	13,028	9,159
Deferred revenue	17	80	286
Income tax	18	1,256	763
Total current liabilities		<u>14,364</u>	<u>10,208</u>
Non-current liabilities			
Provisions	20	2,635	5,544
Deferred tax liability	21	1,070	1,519
Payables due after one year	19	1,122	337
Total non-current liabilities		<u>4,827</u>	<u>7,400</u>
Total liabilities		<u>19,191</u>	<u>17,608</u>
Net assets		<u>77,094</u>	<u>75,481</u>
Equity			
Share capital	23	2,175	2,175
Share premium account	24	7,825	7,825
Capital contribution reserve	25	48,000	48,000
Share-based payment reserve	26	1,052	1,489
Retained profits		<u>18,042</u>	<u>15,992</u>
Total equity		<u>77,094</u>	<u>75,481</u>


D C Battle
Director

8 August 2018

The above statement of financial position should be read in conjunction with the accompanying notes

Aon Consulting Limited
Statement of changes in equity
For the year ended 31 December 2017

	Share capital £'000	Share premium account £'000	Capital contribution reserve £'000	Share based payments reserve £'000	Retained profits £'000	Total equity £'000
Balance at 1 January 2016	2,175	7,825	48,000	2,012	34,380	94,392
Profit after income tax charge for the year	-	-	-	-	1,612	1,612
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	1,612	1,612
Transactions with shareholders in their capacity as owners:						
Tax in relation to share based payments	-	-	-	122	-	122
Aon plc recharge for the year in respect of share-based payments	-	-	-	(1,490)	-	(1,490)
Share-based payments (note 22)	-	-	-	845	-	845
Dividends paid (note 27)	-	-	-	-	(20,000)	(20,000)
Balance at 31 December 2016	<u>2,175</u>	<u>7,825</u>	<u>48,000</u>	<u>1,489</u>	<u>15,992</u>	<u>75,481</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Aon Consulting Limited
Statement of changes in equity
For the year ended 31 December 2017

	Share capital £'000	Share premium account £'000	Capital contribution reserve £'000	Share based payments reserve £'000	Retained profits £'000	Total equity £'000
Balance at 1 January 2017	2,175	7,825	48,000	1,489	15,992	75,481
Profit after income tax charge for the year	-	-	-	-	2,050	2,050
Other comprehensive income for the year, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	2,050	2,050
Transactions with shareholders in their capacity as owners:						
Tax in relation to share based payments	-	-	-	49	-	49
Aon plc recharge for the year in respect of share-based payments	-	-	-	(1,406)	-	(1,406)
Share-based payments (note 22)	-	-	-	920	-	920
Balance at 31 December 2017	<u>2,175</u>	<u>7,825</u>	<u>48,000</u>	<u>1,052</u>	<u>18,042</u>	<u>77,094</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

1. Significant accounting policies

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

Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 issued by the FRC. The financial statements have therefore been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the FRC.

Amounts in these financial statements have been rounded off to the nearest thousand pounds, or in certain cases, the nearest pound.

The Company has used a true and fair view override in respect of the non amortisation of goodwill (see note 13).

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments. Also, the presentation of certain prior year amounts have been amended to match current year presentation.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

As permitted by FRS 101, the Company has taken advantage of all of the disclosure exemptions available under this standard where applicable to the Company in relation to business combinations, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, impairment of assets and related party transactions, except for those mentioned below. Where relevant, equivalent disclosures have been given in the Group financial statements. The Group financial statements are available to the public and can be obtained as set out in note 30.

The following exemptions were not taken:

- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - (ii) paragraph 118(e) of IAS 38 Intangible Assets.

The Company adopted the relevant presentation requirements of IAS 1 (Presentation of Financial Statements) formats for the Statement of financial position and the Statement of profit or loss and other comprehensive income in accordance with Schedule 1 to the Regulations, as amended by Statutory Instrument 2015/980, which permits a company a choice of adapted or statutory formats. The Company chose IAS 1 presentation format to be aligned with the Group financial statements.

Basis of consolidation

The Company has taken advantage of the exemption from preparation of consolidated financial statements under Section 400 of the Companies Act as its results are included in the Group financial statements.

1. Significant accounting policies (continued)

Revenue

Revenue is earned either on a time and materials, fixed fee or commission basis. Revenues are recognised when they are earned and realised or realisable. The Company considers revenues to be earned and realised or realisable when all of the following four conditions are met:

- (1) persuasive evidence of an arrangement exists,
- (2) the arrangement fee is fixed or determinable,
- (3) delivery or performance has occurred, and
- (4) collectability is reasonably assured.

Revenues from time and materials and fixed fee contracts are recognised as services are provided using a critical event approach or at the completion of a project based on facts and circumstances of the client arrangement.

For brokerage commissions, revenue is typically recognised at the completion of the placement process, assuming all four criteria required to recognise revenue have been met.

Foreign currencies

The financial statements presentational currency is pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the Company's functional currency are recognised at the rates of exchange at the date of the transactions. At each reporting period date, monetary assets and liabilities that are denominated in non-functional currencies are re-translated at the rate ruling at the reporting period date. Non-monetary items remain at the rates of exchange at the date of the transaction.

Exchange gains or losses arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the Statement of profit or loss and other comprehensive income.

Interest receivable and similar income

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

Interest payable and similar charges

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

The effective interest method is a method of calculating the amortised cost of a financial liability and allocating the interest expense over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial liability to the net carrying amount of the financial liability.

1. Significant accounting policies (continued)

Taxation

Current tax

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting period date.

Deferred tax

Deferred tax is provided on differences between the carrying amounts of assets and liabilities in the financial statements, and the corresponding tax base used in the computation of taxable profit, and is accounted for using the liability method. A deferred tax asset or liability arising from the initial recognition of an asset or liability in a transaction that is not a business combination and that at the time of the transaction, affects neither the accounting nor taxable profits, is not recognised. In addition, a deferred tax liability is not recognised on the initial recognition of Goodwill.

Deferred 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 tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting period date.

Deferred tax is charged or credited to Statement of other comprehensive income, for items that are charged or credited directly in Statement of other comprehensive income.

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

Deferred tax is provided on temporary differences on investments in subsidiaries, associates or joint ventures, except where the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Current and non-current classification

Assets and liabilities are presented in the Statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents include cash balances. Their estimated fair value approximates their carrying values.

1. Significant accounting policies (continued)

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 365 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Work in progress represents revenue that has been earned but not yet billed to a client. Fee income not yet billed to clients is included in Other receivables. Other receivables are recognised at amortised cost, less any provision for impairment.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment. The carrying value of investments in group undertakings is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Dividends received or receivable from subsidiaries are recognised as income as and when they are received or receivable, and are recorded in other gains and losses within the Statement of profit or loss and other comprehensive income.

Other financial assets and liabilities

Other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through the Statement of profit or loss and other comprehensive income. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Other financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets or liabilities with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the Statement of profit or loss and other comprehensive income when the asset or liability is derecognised or impaired.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

1. Significant accounting policies (continued)

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to the Statement of profit or loss and other comprehensive income.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. Acquisition-related costs are expensed as incurred and included in administrative expenses. When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the Statement of profit or loss and other comprehensive income.

Tangible fixed assets

Fixtures and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis so as to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Fixtures, fittings and computer equipment	Between three and ten years
Computer hardware	Between four and seven years, beginning from the date of implementation of fully developed systems

The residual values, useful lives and depreciation methods are reviewed, and adjusted at each reporting date if appropriate.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to the Statement of profit or loss and other comprehensive income. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Intangible assets

Intangible assets include customer related and contract based assets representing primarily client relationships and software assets. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period. Interim impairment testing may be performed when events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable.

1. Significant accounting policies (continued)

Goodwill

Goodwill arises on the acquisition of a business and represents the excess of fair value of the consideration paid for a book of business over the aggregate fair value of the identifiable assets and liabilities required. Goodwill is considered to have an indefinite life and is therefore not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to the Statement of profit or loss and other comprehensive income and are not subsequently reversed.

The Company has used a true and fair view override in respect of the non amortisation of goodwill as permitted by paragraph 10(2) of Schedule 1 of the Regulations to overcome the prohibition in paragraph 22 of Schedule 1 of the Regulations.

Customer contracts

Customer contracts acquired in a business combination are amortised on a systematic basis over the period of their expected benefit, being their finite life ranging from five to twelve years.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit (lesser of the life of an associated license, or four to seven years).

Impairment of tangible and intangible assets

At each reporting period date, the Company reviews the carrying amounts of its tangible and intangible assets with a finite life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, a revenue market multiple valuation was used based on the average enterprise value for the 3 years between 2016 actual and 2017 and 2018 forecasted revenues. Based on this method, management determined a range of valuations that was used to calculate value in use.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

For the tangible asset impairment review, the recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or CGU to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a CGU.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which remain unpaid at the reporting date. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 60 days of recognition.

1. Significant accounting policies (continued)

Value-Added Tax ("VAT") and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated VAT, unless the VAT incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Statement of financial position.

Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1. Significant accounting policies (continued)

Employee benefits

Directors and certain senior employees of the Company receive an element of remuneration in the form of share-based payments, whereby the participants effectively render their services in consideration for shares and/or options over shares in Aon plc, the Company's ultimate parent company.

Share-based payments to employees include grants of employee share options, restricted shares and restricted share units ("RSUs"), performance share awards ("PSAs") as well as employee share purchases related to the Employee Share Purchase Plan. Share-based compensation expense is measured based on estimated grant date fair value and recognised together with a corresponding increase in retained earnings in equity over the requisite service period for awards that are ultimately expected to vest. Forfeitures are estimated at the time of grant based on actual experience to date and estimates are revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Such transactions are accounted for as equity-settled share based payment arrangements. Equity settled share based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date.

Fair value is independently determined using the Binomial pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Company receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The fair value of equity-settled transactions determined at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, at a minimum an expense is recognised as if the modification had not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

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

On exercise or release of SAYE, share options/awards the Company is obliged to pay Aon plc the difference between the grant price and share price at the date of vesting for the Aon plc shares issued to the participants.

Issued capital

Ordinary shares are classified as equity.

Dividends

Dividends are recognised when declared and paid during the financial year and no longer at the discretion of the Company.

2. Critical accounting judgements, estimates and assumptions

In the application of the Company's accounting policies, which are described in note 1, management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. 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 revisions affect only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The judgements, estimates and assumptions that pose significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the foreseeable future are discussed below.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Binomial model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Revenue

As discussed in note 1, revenue is earned either on a time and materials, fixed fee or commission basis. In determining the amount of revenue and work in progress to be recognised in respect of ongoing services, it is necessary to estimate their stage of completion, the remaining time and costs to be incurred and the amounts that will be paid for the services provided. These judgements are made on a contract by contract basis and a different assessment of any of these factors would result in a change to the amount of revenue recognised.

Goodwill

The Company tests annually, or more frequently if events or changes in circumstances indicate impairment of goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of CGU's have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated revenue multiples as described in the accounting policy in note 1.

Provisions

As a normal consequence of the Company's operations, a number of provisions are made which are based on estimates. One of these provisions relates to claims affecting professional negligence which have been made against the Company. The provision for E&O claims is based on the current best estimate of the total amount of those claims which are considered more likely than not to crystallise, in accordance with extensive advice provided by the Company's legal team.

A provision has also been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future costs associated with closure of the premises. The calculation of this provision requires assumptions such as expected future closure dates and cost estimates. The provision recognised for each location is reviewed periodically and updated based on the facts and circumstances available at that time. Changes to the estimated future costs are recognised in the Statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying value of the asset are recognised in profit or loss.

3. Revenue

The table below analyses turnover by the nature of the services provided:

	2017 £'000	2016 £'000
Brokerage	26,117	24,861
Fees	34,685	31,960
Revenue	<u>60,802</u>	<u>56,821</u>

3. Revenue (continued)

The table below analyses revenue by the location of the client from whom the business is derived:

	2017 £'000	2016 £'000
United Kingdom	56,399	53,432
Europe	1,689	1,434
North America	1,809	1,451
Rest of the World	905	504
	<u>60,802</u>	<u>56,821</u>

4. Staff costs

Salaries include base salary, overtime and performance related payments in respect of all staff including directors.

	2017 £'000	2016 £'000
Salaries	17,526	17,523
Pension	1,587	1,564
Share-based payments expense	920	851
Bonuses, incentives and benefits	6,736	7,339
Social security cost	2,883	2,980
	<u>29,652</u>	<u>30,257</u>

Certain employees legally employed by the Company provide services to group undertakings. The related staff costs of these employees have been excluded from the costs shown above as they are cross-charged to the respective group undertakings.

Additionally, the Company receives services rendered to it by employees who are legally employed by group undertakings. The remuneration paid to these employees is included within staff costs noted above, as these costs are cross-charged to the Company.

The average number of employees shown below includes only those employees legally employed by the Company.

	2017	2016
The average number of staff including directors employed by the Company during the year	<u>361</u>	<u>364</u>

5. Directors' remuneration

	2017 £'000	2016 £'000
Directors' remuneration		
Aggregate remuneration in respect of qualifying services	789	1,081
Amounts received or receivable by directors under long term incentive schemes (other than shares and share options) in respect of qualifying services	817	711
Aggregate of company contributions paid in respect of money purchase schemes	25	64
Total	<u>1,631</u>	<u>1,856</u>

5. Directors' remuneration (continued)

The aggregate emoluments in respect of qualifying services paid to directors or past directors as compensation for loss of office during the year was £nil (2016: £nil).

	2017	2016
The number of directors who:		
Received shares in respect of qualifying services under a long term incentive scheme	2	4
Exercised options over shares in the parent company	4	4
Are accruing benefits under money purchase schemes	4	3
	2017	2016
	£'000	£'000
Remuneration of the highest paid director:		
Emoluments	1,027	868
Pension contributions	6	9
	<u>1,033</u>	<u>877</u>

The highest paid director exercised share options of 7,522 shares at an average price \$117.53 in the year and had no shares receivable under long-term incentive schemes in 2017.

The directors have chosen to present the total emoluments received for services as directors of the Company and services to other companies in the Group. Emoluments are paid by the director's employing company within the Group. The directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their services as directors or employees of other group companies, and where appropriate the disclosed amounts have been pro-rated depending on when one is appointed or resigned. Where appropriate remuneration costs are subsequently recharged under Group reallocations to the Company. The comparative amounts have been presented on the same basis as the current year.

6. Administrative expenses

Operating profit is stated after charging items disclosed in administrative expenses as noted below:

	2017	2016
	£'000	£'000
Net foreign exchange losses/(gains)	103	(524)
Depreciation of tangible fixed assets	3	50
(Gains)/Losses on disposal of tangible and intangible assets	(503)	(38)
Amortisation of intangible assets	3,166	3,839
Other administrative expenses	24,734	21,749
Impairment loss recognised on receivables	693	(174)
	<u>28,196</u>	<u>24,902</u>

The increase in administration costs is largely attributable to an increase in the allocation received for the Aon Network Fee, a cost which is made up of the allocation of various inter-company recharges. Also, there was an additional gain on asset disposal in 2017 relating to the customer list held for sale in 2015.

7. Auditor's remuneration

During the financial year the following fees were paid or payable for services provided by Ernst & Young LLP, the auditor of the Company, and its associates:

	2017 £'000	2016 £'000
Audit services		
Audit of the financial statements	251	173
Other services		
Other assurance services	6	3
	<u>257</u>	<u>176</u>

8. Interest receivable and similar income

	2017 £'000	2016 £'000
Bank interest receivable	91	194

9. Income tax charge

The tax charge is made up as follows:

	2017 £'000	2016 £'000
Income tax charge		
Current tax	1,308	856
Deferred tax - origination and reversal of temporary differences	(479)	(548)
Adjustment recognised for prior periods	143	(144)
Impact of change in tax rates	23	80
Aggregate income tax charge	<u>995</u>	<u>244</u>

Numerical reconciliation of income tax charge and tax at the statutory rate

The tax charge in the statement of profit and loss is higher (2016: lower) than the standard rate of corporation tax rate used in the UK of 19.25% (2016: 20%). The differences are reconciled below:

Profit before income tax charge	3,045	1,856
Tax at the statutory tax rate of 19.25% (2016: 20%)	586	371
Adjustment recognised for prior periods	143	(144)
Expenses not deductible for tax purposes	180	5
Transfer pricing adjustment	63	(68)
Impact of change in tax rates	23	80
Income tax charge	<u>995</u>	<u>244</u>

9. Income tax charge (continued)

	2017 £'000	2016 £'000
Amounts charged/(credited) directly to equity		
Deferred tax liabilities (note 21)	4	(30)
Current tax	(52)	(92)
Total	(48)	(122)

From 1 April 2017 the UK Government introduced further reductions to the headline corporation tax rate to 19%, and legislation was introduced in the Finance Act 2016 to reduce the corporation tax rate further for the year starting 1 April 2020 to 17%.

Any deferred tax expected to reverse has been re-measured using the above rates.

	2017 £'000	2016 £'000
Deferred tax in the income statement:		
Decelerated capital allowances	(12)	(30)
General provision	21	-
Intangibles amortisation	(565)	(719)
Loss arising in the year	34	165
Share based payments	43	36
Total deferred tax recognised in the income statement	(479)	(548)

10. Current assets - Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	20,327	17,469
Less: Provision for impairment of debtors	(1,631)	(991)
	<u>18,696</u>	<u>16,478</u>
Prepayments and accrued income	255	222
Other receivables	1,260	3,521
Work in progress	7,161	7,371
Amounts owed by fellow Group undertakings	1,177	2,430
	<u><u>28,549</u></u>	<u><u>30,022</u></u>

Other receivables relate to amounts recoverable under the Company's E&O insurance policy.

Work in progress relates to revenue not yet billed to clients.

The amounts owed by fellow group undertakings are not interest bearing and are due to be received within the next 12 months.

11. Current assets - Cash and cash equivalents

	2017 £'000	2016 £'000
Cash and cash equivalents	9,597	11,310

Cash at bank includes £9,579k (2016: £11,084k) in a cash pooling arrangement with Bank Mendes Gans as detailed in note 28.

12. Current assets - Assets held for sale

Certain operations were sold within 2016, being classified as a disposal group held for sale and presented separately in the financial position. The proceeds of disposal were to equal or exceed the book value of the related net assets and accordingly no impairment losses were recognised on the classification of these operations as held for sale and presented separately in the financial position.

	2017 £'000	2016 £'000
Assets held for sale	-	34

13. Non-current assets - Intangibles

	2017 £'000	2016 £'000
Goodwill - at cost	37,282	37,282
Customer contracts - at cost	22,666	22,666
Less: Accumulated amortisation	(11,965)	(9,029)
	10,701	13,637
Software - at cost	1,611	1,611
Less: Accumulated amortisation	(1,041)	(811)
	570	800
	48,553	51,719

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Goodwill £'000	Software £'000	Customer contracts £'000	Total £'000
Balance at 1 January 2016	37,282	1,113	17,233	55,628
Classified as held for sale	-	-	(34)	(34)
Disposals	-	(36)	-	(36)
Amortisation expense	-	(277)	(3,562)	(3,839)
Balance at 31 December 2016	37,282	800	13,637	51,719
Amortisation expense	-	(230)	(2,936)	(3,166)
Balance at 31 December 2017	37,282	570	10,701	48,553

13. Non-current assets - Intangibles (continued)

Goodwill is not amortised but is tested annually for impairment as required by IFRS 3. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. Had the Company amortised goodwill, a period of 10 years would have been chosen as the useful life from date of acquisition and consequently the profit before tax for the year would have been £3,766k lower as a result.

During 2017, the Company conducted an impairment review of all material goodwill. No impairments were identified.

The recoverable amount of a cash-generating unit ("CGU") is determined based on value-in-use calculations as described in note 1.

Goodwill is attributable to Aon Group's retail operating segment.

The key assumptions used for value-in-use calculations for each CGU with significant goodwill in comparison to the Company's total are shown below:

Multiples as at	Revenue	Retail
31 December 2016	Actual	3.80
31 December 2017	Forecast	4.10
31 December 2018	Forecast	3.90

14. Non-current assets - Tangible fixed assets

	2017 £'000	2016 £'000
Computer equipment - at cost	12	12
Less: Accumulated depreciation	(11)	(8)
	<u>1</u>	<u>4</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Balance at 1 January 2016	32	67	99
Disposals	(19)	(27)	(46)
Additions	-	1	1
Depreciation expense	(13)	(37)	(50)
Balance at 31 December 2016	-	4	4
Depreciation expense	-	(3)	(3)
Balance at 31 December 2017	<u>-</u>	<u>1</u>	<u>1</u>

15. Non-current assets - Investments in subsidiaries

	2017 £'000	2016 £'000
Investments in subsidiaries	9,585	-

During the year the Company acquired 100% of Portus Consulting Ltd and Portus Consulting (Leamington) Ltd and 99% of Portus On-line LLP for a total consideration of £10m, being £8m paid on the 2nd October 2017, to be followed by two earn out amounts of £1m the first paid on the 14th February 2018 and the second to follow one year later should the necessary performance conditions be met.

Portus Consulting Limited ('PCL') specialises in creating bespoke employee benefit programmes for Portus's clients. Key products include Risk & Healthcare consulting and Pension consulting.

Portus Online LLP ('POL') provides software solutions (BenPort and moneygym) which allow employees to manage their benefits packages online.

In order to achieve the two earn out payments certain performance requirements have been agreed within the terms of the purchase agreement.

The value of the investment of £9,585k is made up of upfront consideration of £7,783k, less Working Capital Adjustment (£20k) and a total deferred Consideration, on a discounted basis, of £1,822k.

Interests in subsidiaries

The Company's direct and indirect subsidiary undertakings as at 31 December 2017 are as follows:

Name	Address of registered office	Holding	Proportion held %
Portus Consulting Limited	122 Leadenhall Street, London, United Kingdom. EC3V 4AN	Ordinary shares	100%
Portus Consulting (Leamington) Limited	122 Leadenhall Street, London, United Kingdom. EC3V 4AN	Ordinary shares	100%
Portus On-line LLP	122 Leadenhall Street, London, United Kingdom. EC3V 4AN	Ordinary shares	99%

16. Current liabilities - Trade and other payables

	2017 £'000	2016 £'000
Trade payables	876	958
Accruals	5,036	4,238
Amounts owed to fellow Group undertakings	4,825	2,654
Amounts owed to parent undertaking	1,008	9
Other taxes and social security payables	1,283	1,300
	13,028	9,159

17. Current liabilities - Deferred revenue

	2017 £'000	2016 £'000
Deferred revenue	80	286

18. Current liabilities - Income tax

	2017 £'000	2016 £'000
Group relief payable	1,256	763

19. Non-current liabilities - Payables due after one year

	2017 £'000	2016 £'000
Accruals	264	296
Deferred consideration	822	-
Other taxes and social security payable	36	41
	1,122	337

20. Non-current liabilities - Provisions

	2017 £'000	2016 £'000
E&O and other litigation provision	2,635	5,544

Errors and omissions provision

As a normal consequence of the Company's operations, a number of claims alleging professional negligence have been made against the Company. Provision has been made in these financial statements based on the directors' current best estimate of the total amount of those claims which are considered more likely than not to crystallise.

IAS 37 requires the Company to record provisions that are probable gross of any related recovery, any such recovery being included within debtors and only when the recovery it is deemed virtually certain.

Certain other Errors and Omissions claims meet the IAS 37 definition of contingent liabilities. In accordance with IAS 37, these claims have not been included in the financial position as the directors do not believe that it is practicable to estimate the quantum of the potential outcome of these claims. The directors believe that there are valid defences to all claims that have been made with respect to these activities and the Company is vigorously defending all pending actions. The directors do not expect the outcome of these claims, either individually or in aggregate, to have a material effect upon the Company's operations or financial position.

As allowed by IAS 37, further disclosure has not been given as it may seriously prejudice the outcome of any legal proceedings.

Movements in provisions

Movements in each class of provision during the current financial year are set out below:

	E&O Provision £'000
2017	
Carrying amount at the start of the year	5,544
Additional provisions recognised	33
Released in the year	(14)
Utilised in the year	(2,928)
Carrying amount at the end of the year	2,635

21. Non-current liabilities - Deferred tax liability

	2017	2016
	£'000	£'000
Deferred tax liability comprises temporary differences attributable to:		
Decelerated capital allowances	(120)	(145)
Share based payments	(408)	(497)
Intangibles	1,912	2,474
Trading losses	(273)	(313)
General provisions	(41)	-
	<u>1,070</u>	<u>1,519</u>
Deferred tax liability	<u>1,070</u>	<u>1,519</u>
Movements:		
Opening balance	1,519	2,744
Credited to profit or loss (note 9)	(479)	(548)
Charged/(credited) to equity (note 9)	4	(30)
Impact of change of tax rate	23	80
Adjustment recognised in prior period	(25)	(649)
Impact of foreign exchange	28	(78)
	<u>1,070</u>	<u>1,519</u>
Closing balance	<u>1,070</u>	<u>1,519</u>

The Company has £1,527,000 (2016: £1,724,000) of tax trading losses carried forward at 31 December 2017. From 1 April 2017 the UK Government introduced changes to the loss utilisation rules, with a restriction on annual offset of brought forward losses against profits arising on or after 1 April 2017 to 50%. Greater flexibility has also been introduced with losses arising on or after 1 April 2017 to be offset against profits from other group companies, and other income types.

Based on current profit projections, the directors consider that it is more likely than not that sufficient profit will arise in the foreseeable future against which the asset can reverse.

22. Share-based payments

Aon plc, the Company's ultimate parent company, has established various share based payment schemes for directors and employees of the Company.

There are various share based payment schemes for directors and employees of the Company. Since 2 April 2012, share based payments are now satisfied through Aon plc shares following the Group reorganisation which resulted in Aon plc replacing Aon Corporation as the listed ultimate parent company. All schemes are equity settled.

22. Share-based payments (continued)

Leadership Performance Plans ("LPPs")

The Leadership Performance Plan (LPP) is intended to reward senior executives for meeting or exceeding corporate-wide performance goals as measured by Earnings Per Share of the parent company. Vesting is contingent upon meeting various individual, divisional or company-wide performance goals, including revenue generation or growth in revenue, pre-tax income or earnings per share over a three year period. The performance conditions are not considered in the determination of the grant date fair value for these awards; it is based upon the market price of an Aon plc ordinary share at grant date.

The share-based compensation expense is recognised over the performance period based on management's estimate of the number of units expected to vest. It is adjusted to reflect actual numbers of shares issued at the end of the programme. The actual issue of shares may range from 0-200% of the target LPPs granted, based on the terms and level of achievement of these terms.

Weighted average fair value per share at grant date for the 2017 plan was £85.49; 2016 plan: £74.85; 2015 plan: £71.34. The number of LPPs granted for the 2017 plan was 2,110; 2016 plan: 2,405; 2015 plan: 2,528. The number of LPPs that would be issued based on current performance levels for the 2017 plan are 3,693; 2016 plan: 2,876; 2015 plan: 4,424.

Sharesave scheme

The Aon UK Sharesave scheme was made available annually to all employees in the United Kingdom from 2013 through 2017. Under the scheme, a specified amount is deducted from the participating employee's monthly salary for deposit into a savings account for a three year term. Participants are granted options at the beginning of the saving period to purchase the ultimate parent company shares at a price equal to 85% of the market value at the beginning of the saving period by utilising the accumulated amounts in their account. Vesting is contingent on continued employment.

The sharesave option grant price for the 2017 plan was £96.49; 2016 plan: £71.03; 2015 plan: £50.72; 2014 plan: £45.85; 2013 plan: £40.03. As at 31 December 2017, the outstanding sharesave options had a weighted average remaining contractual life of 1.92 years (2016: 1.92 years). As at 31 December 2017, sharesave options outstanding for the 2017 plan were 4,011 (2016: Nil); 2016 plan: 6,071 (2016: 6,687); 2015 plan: 2,716 (2016: 2,957); 2014 plan: 360 (2016: 5,040); 2013 plan: Nil (2016: 1,460). The aggregate of estimated fair value of these sharesave options outstanding was £1,140k (2016: £1,053k).

Restricted Stock Units ("RSUs")

Stock awards, in the form of RSUs, were granted to certain directors and key employees of the Company. Prior to 2006, all RSUs granted to employees were service-based. Since 2006, certain performance-based RSUs were granted to senior executives and key employees, whose vesting is contingent upon meeting various individual, divisional or company-wide performance goals, including revenue generation or growth in revenue, pre-tax income or earnings per share over a one to five year period.

The weighted average share price for RSUs outstanding as at 31 December 2017 was £77.94 (2016: £66.13). The weighted average remaining contractual life of the outstanding RSUs as at 31 December 2017 was 1.33 years (2016: 1.31 years). In 2017, the number of RSUs granted was 5,039 (2016: 5,304). The number of RSUs outstanding as at 31 December 2017 was 17,468 (2016: 20,949). The aggregate estimated fair value of these outstanding RSUs was £1,361k (2016: £1,385k).

The share-based compensation cost for all schemes during the year to 31 December 2017 was £920k (2016: £845k).

22. Share-based payments (continued)

	2017 £'000	2016 £'000
Leadership Performance Plans (LPPs)	331	302
Aon UK Sharesave scheme	96	99
Restricted Stock Units (RSUs)	493	444
	<u>920</u>	<u>845</u>

23. Equity - Share capital

	2017 Shares	2016 Shares	2017 £'000	2016 £'000
Ordinary shares - fully paid	<u>2,715,001</u>	<u>2,175,001</u>	<u>2,175</u>	<u>2,175</u>

All shares are allotted, issued and fully paid. The Company has only one class of ordinary shares of £1 each.

24. Equity - Share premium account

	2017 £'000	2016 £'000
Share premium account	<u>7,825</u>	<u>7,825</u>

25. Equity - Capital contribution reserve

	2017 £'000	2016 £'000
Capital contribution reserve	<u>48,000</u>	<u>48,000</u>

Capital contribution reserve represents a gift received in the form of a contribution from the Company's parent entity.

26. Equity - Share-based payment reserve

	2017 £'000	2016 £'000
Share-based payments reserve	<u>1,052</u>	<u>1,489</u>

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

27. Equity - Dividends paid

Dividends paid during the financial year were as follows:

	2017 £'000	2016 £'000
No interim dividend was paid during the year ending 31 December 2017. An interim dividend of £20,000k was paid on 18 November 2016 to Aon Benfield Limited, the Company's parent.	<u>-</u>	<u>20,000</u>

28. Guarantees

The Company maintains multi-currency cash pools with third-party banks in which various Aon entities participate. As part of Aon plc's global banking arrangements, individual Aon entities are permitted to overdraw on their individual accounts provided the overall balance does not fall below zero. Under the terms of the cash pool arrangements, participants, such as the Company whose cash at bank balances at 31 December 2017 include cash pool deposits of £9,579k (2016: £11,084k), can become liable for any insolvent borrower's debt (limited to the level of the depositor's own credit balances with individual third party banks) via the pledge and set-off clauses in the arrangements. In such circumstances, Aon plc is contractually bound to indemnify the depositor for the amount paid by them to third party banks under the pledge and set-off arrangement.

29. Events after the reporting period

On the 2nd January 2018 the company acquired 100% of the assets and liabilities of Portus Consulting Limited through a Business Transfer Agreement for the total cost of £5,794k.

No other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

30. Controlling party

At the end of the reporting period date the Company's immediate parent undertaking was Aon Benfield Limited, a company incorporated in the UK and registered in England & Wales.

The ultimate parent undertaking and controlling party is Aon plc, a company incorporated in the UK and registered in England & Wales.

The parent undertaking of the Group which contains the Company, and for which Group financial statements are prepared, is Aon plc, a company incorporated in the UK and registered in England & Wales.

Copies of the Group financial statements of Aon plc are available from Companies House, Crown Way, Cardiff, CF14 3UZ and also from the Company Secretary, The Aon Centre, The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AN.