

WATSON WYATT (UK) ACQUISITIONS 1 LIMITED

Registered Number 05379696

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2019

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WATSON WYATT (UK) ACQUISITIONS 1 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2019

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WATSON WYATT (UK) ACQUISITIONS 1 LIMITED

STRATEGIC REPORT

For the year ended 31 December 2019

The directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The directors present their review of the business for the year ended 31 December 2019.

Profit before taxation was \$785.8 million (2018 - loss \$10.9 million, being interest payable)

In the current year the significant transactions were as follows:

In June 2019

- Received ordinary dividends of \$591.2m from its subsidiary undertakings
- Declared an ordinary dividend of \$367.3m
- Settled debt owed to a fellow group undertaking of \$223.9m

In July 2019

- Received ordinary dividends of \$208.9m
- Settled a note obligation of \$199m plus interest on the due date in accordance with the terms of the note
- Settled a further \$1.8m of loan obligations to fellow group undertakings

In addition to the activities noted above interest payable to fellow group companies was \$14,187 thousand (2018 - \$10,866 thousand)

The directors are satisfied with the financial performance of the Company and with its future prospects as a holding company the expected level of activity in the forthcoming year is expected to remain the same.

POST BALANCE SHEET EVENTS

Since the year end the following post balance sheet events occurred:

On 9 March 2020, WTW and Aon plc ('Aon') issued an announcement disclosing that the boards of directors of WTW and Aon had reached agreement on the terms of a recommended acquisition of WTW by Aon. On 26 August 2020, WTW and Aon announced that their respective shareholders had approved all the proposals necessary to complete this combination. The transaction is subject to other customary closing conditions, including required regulatory approvals. The parties expect the transaction to close in the first half of 2021, subject to satisfaction of these conditions.

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

Since the year end, the Company issued 50 £1 Ordinary shares at a premium to its parent company, in exchange for 100% of the issued share capital in Towers Watson Canada Inc.. The contribution value was \$523,000,000 (£394,922,529), being its previous carrying value and deemed fair value.

Subsequent to this, Towers Watson Canada Inc. declared and paid a dividend in CAD\$ being the equivalent of \$25,000,000.

WATSON WYATT (UK) ACQUISITIONS 1 LIMITED

STRATEGIC REPORT (continued) **For the year ended 31 December 2019**

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Strategy

The Company's activities expose it to certain risks as described below. The directors believe such risks are adequately monitored by the management of the Company.

For the efficient mitigation of foreign exchange risk within the Willis Towers Watson group it has been agreed that a US\$ treasury centre be established in the European region. The Company has US\$ as its functional currency and it will continue to fulfil this function within the Willis Towers Watson group.

Key performance indicators

As an intermediary company, a key performance indicator is positive retained earnings of \$571,406 thousand (2018 - \$151,755 thousand) to allow the flow of dividends between trading subsidiaries and the ultimate parent company, without cash flow loss. As such, the directors monitor reserves to ensure the performance of the Company does not hinder the flow of dividends. The directors are not aware of any negative indicators.

Principal risks and uncertainties

The Company is subject to the risk that investment income is insufficient to meet the Company's liability to pay loan interest. In such cases the Company is reliant on the support of its parent undertaking.

The Company's principal investment is its direct shareholding in Watson Wyatt (UK) Acquisitions 2 Limited and its subsidiaries. The Company is exposed to the impairment of this investment if there is insufficient cash flow to support the carrying value of the investment. The ultimate parent undertaking, Willis Towers Watson plc has confirmed, via a letter of support, that it will provide adequate finance for the foreseeable future and at least for the twelve months from the date on which the financial statements are signed. The Company reviews the investment for signs of impairment and provisions are made where appropriate.

COVID-19

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

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

COVID-19 risks could magnify other risks. For example, the effectiveness of external parties, including governmental and non-governmental organisations, in combating the spread and severity of COVID-19 could have a material impact on demand for WTW's business.

All of the foregoing events or potential outcomes could cause a material adverse effect on our results of operations in any period and, depending on their severity, could also materially and adversely affect our financial condition.

Political risk

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

WATSON WYATT (UK) ACQUISITIONS 1 LIMITED

STRATEGIC REPORT (continued) For the year ended 31 December 2019

Section 172 Companies Act 2006

In the course of the year, the Board of Directors of the Company complied with Section 172 of the Companies Act 2006 ('S172') by having regard to the following in all its principal decision making:

- (a) the long-term consequences of any of its decisions;
- (b) the interests of its employees;
- (c) the Company's business relationships with its suppliers, customers and others;
- (d) community and environment;
- (e) reputation and business conduct; and
- (f) the need to act fairly as between members of the company.

Section 172(b) does not apply to the Company as it has no employees.

Section 172(f) does not apply to the Company as it is a wholly-owned subsidiary of Willis Towers Watson plc ('WTW').

In each case, the Board of Directors carefully considered the long-term consequences of each of these decisions on the Company where necessary by discussing with management the consequences of any decisions on its key stakeholders, the Company's reputation.

All key recommendations made by management to the Board of Directors were, in the course of the year, put through a review process which involves a range of internal WTW structures, committees and working groups, to ensure the effective design and operation of controls within WTW. The internal structures include review and input from the WTW Risk, Compliance, Internal Audit, IT, Information Security, Legal and Finance functions and the WTW business operations.

The Directors had access to training on a variety of subjects including the WTW Code of Conduct.

Board packs for the Company are issued to the Directors a few days in advance of the Board meetings in order to provide adequate time for review. Any specific S172 factors will be flagged for consideration by the Board in respect of any relevant decisions in the future.

Approved by the Board of Directors
and signed on behalf of the Board



S J Alcock

Watson House, London Road
Reigate, Surrey
RH2 9PQ

24 September 2020

WATSON WYATT (UK) ACQUISITIONS 1 LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2019

The directors present their annual report and audited financial statements of the Company for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the financing of group activities through both direct equity investment and loans to group companies. This activity remained unchanged during the period.

FINANCIAL RISK MANAGEMENT, FUTURE DEVELOPMENTS AND POST BALANCE SHEET EVENTS

Details of principal risks and uncertainties, future developments and post balance sheet events can be found in the Strategic Report on pages 1 to 2 and form part of this report by cross-reference.

GOING CONCERN

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 financial statements.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

DIVIDENDS

Dividends of \$367,267 thousand were paid during the year (2018 - \$nil). No final dividend is proposed (2018 - \$ nil).

BUSINESS RELATIONSHIPS

See the Section 172 Companies Act 2006 section in the Strategic Report for information on how the directors have had regard to the need to foster the Company's business relationships.

DIRECTORS

The directors who served throughout the year (except where otherwise stated) were as follows:

S J Alcock

S M Girling (Appointed 19 June 2019)

Third party indemnity provisions

As is permitted by the Company's Articles of Association and section 232 and 234 of the Companies Act 2006 qualifying third party indemnity provisions were in force during the period and remain in force for the benefit of the Directors (and any officers) of the Company. A fellow group Company, maintains directors' liability insurance cover for the company directors and officers as permitted under the Company's Articles. Such insurance policies remained in force during the period.

WATSON WYATT (UK) ACQUISITIONS 1 LIMITED

DIRECTORS' REPORT (continued) For the year ended 31 December 2019

INDEPENDENT AUDITOR AND STATEMENT OF PROVISION OF INFORMATION TO THE INDEPENDENT AUDITOR

Deloitte LLP have expressed their willingness to continue in office as auditor of the Company and will be reappointed as auditor for the next year.

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

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Approved by the Board of Directors
and signed on behalf of the Board



S J Alcock

Watson House, London Road
Reigate, Surrey
RH2 9PQ

24 September 2020

WATSON WYATT (UK) ACQUISITIONS 1 LIMITED

For the year ended 31 December 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WATSON WYATT (UK) ACQUISITIONS 1 LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Watson Wyatt (UK) Acquisitions 1 Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WATSON WYATT (UK) ACQUISITIONS 1 LIMITED

Report on the audit of the financial statements (continued)

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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


We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WATSON WYATT (UK) ACQUISITIONS 1 LIMITED

Report on the audit of the financial statements (continued)

Use of our report

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



Robert Knight, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Crawley
United Kingdom

25 September 2020

WATSON WYATT (UK) ACQUISITIONS 1 LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2019

	Notes	2019 \$'000	2018 \$'000
Other operating charges		(15)	(20)
OPERATING LOSS		(15)	(20)
Income from shares in group undertakings - dividends received		800,045	—
Interest payable and similar charges	6	(14,187)	(10,866)
PROFIT / (LOSS) BEFORE TAXATION	3	785,843	(10,886)
Tax on profit/(loss)	7	1,075	2,068
PROFIT / (LOSS) FOR THE FINANCIAL YEAR		<u>786,918</u>	<u>(8,818)</u>

All results are from continuing operations.

There are no recognised gains and losses for the current or preceding financial year other than the profit shown above. Therefore, a statement of comprehensive income is not presented.

WATSON WYATT (UK) ACQUISITIONS 1 LIMITED

BALANCE SHEET

Company Registration Number 05379696

As at 31 December 2019

	Notes	2019 \$'000	2018 \$'000
FIXED ASSETS			
Investments	8	695,701	695,701
		695,701	695,701
CURRENT ASSETS			
Debtors			
due after more than one year		4,776	—
due within one year		2,998	6,376
Total Debtors	9	7,774	6,376
Cash at bank and in hand		9	11
Total current assets		7,783	6,387
Creditors: amounts falling due within one year	10	(59,881)	(478,136)
NET CURRENT LIABILITIES		(52,098)	(471,749)
TOTAL ASSETS LESS CURRENT LIABILITIES		643,603	223,952
NET ASSETS		643,603	223,952
CAPITAL AND RESERVES			
Called up share capital	11	—	—
Non-distributable reserve - 1	11	54,144	54,144
Non-distributable reserve - 2	11	18,053	18,053
Profit and loss account	11	571,406	151,755
SHAREHOLDERS' FUNDS		643,603	223,952

These financial statements were approved by the Board of Directors and authorised for issue on 24 September 2020

Signed on behalf of the Board of Directors.



S J Alcock
Director

WATSON WYATT (UK) ACQUISITIONS 1 LIMITED

STATEMENT OF CHANGES IN EQUITY

As at 31 December 2019

Equity attributable to equity shareholders' of the Company

	Notes	Called up share capital \$'000	Non- distributable reserve - 1 \$'000	Non- distributable reserve - 2 \$'000	Profit and loss account \$'000	Total \$'000
At 1 January 2018		—	54,144	18,053	160,573	232,770
Loss for the year		—	—	—	(8,818)	(8,818)
Total comprehensive loss		—	—	—	(8,818)	(8,818)
At 31 December 2018		—	54,144	18,053	151,755	223,952
Profit for the year		—	—	—	786,918	786,918
Total comprehensive income		—	—	—	786,918	786,918
Dividends	11	—	—	—	(367,267)	(367,267)
At 31 December 2019		—	54,144	18,053	571,406	643,603

WATSON WYATT (UK) ACQUISITIONS 1 LIMITED

Notes to the financial statements for the year ended 31 December 2019

1. ACCOUNTING POLICIES

Watson Wyatt (UK) Acquisitions 1 Limited is a limited liability company limited by shares, incorporated in the United Kingdom and registered in England and Wales. The address of the Company's registered office is Watson House, London Road, Reigate, Surrey, RH2 9PQ. The Company's principal place of business is Watson House, London Road, Reigate, Surrey, RH2 9PQ. The principal activities of the Company are set out in the Strategic Report.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and the requirements of the Companies Act 2006 including the provisions of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008.

The principal accounting policies adopted are described below and have been applied consistently in the current and prior year.

The functional currency of the Company is considered to be US Dollars because that is the currency of the primary economic environment in which the Company operates.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

a. Going concern

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

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

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

The ultimate parent undertaking has confirmed that it would provide financial support if necessary for the company to continue to meet its financial obligations as they fall due for at least twelve months from the date on which the financial statements are signed.

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

WATSON WYATT (UK) ACQUISITIONS 1 LIMITED

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. ACCOUNTING POLICIES (continued)

b. Consolidation

The Company is exempt under section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements, provided certain conditions are met. The Company and its subsidiaries are included in the consolidated audited financial statements of Willis Towers Watson plc for the year ended 31 December 2019, which is resident in The Republic of Ireland. Its financial statements are drawn-up in a manner considered to be equivalent to UK GAAP consolidated financial statements, as required by the EU Seventh Directive. These financial statements therefore present the financial position and financial performance of the Company as a single entity.

c. Cash flow statement

The Company has taken advantage of the exemption within Financial Reporting Standard 102 1.12(b) not to produce a cash flow statement as the consolidated financial statements of its ultimate parent undertaking are publicly available.

d. Investments

Investments are stated at cost less provisions for impairment.

e. Financial instruments

The Company has elected to apply the provisions of section 11 "Basic Financial Instruments" and section 12 "Other Financial Instruments Issues" of FRS 102 in full to all of its financial instruments.

Financial assets and liabilities

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

WATSON WYATT (UK) ACQUISITIONS 1 LIMITED

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. ACCOUNTING POLICIES (continued)

e. Financial instruments (continued)

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets

Debtors - Amounts owed by group undertakings

Amounts owed by group undertakings: short term debtors, being both amounts due with one year and due after one year, and which do not constitute a financing transaction are initially recognised at the transaction price. They are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Creditors - Amounts owed to group undertakings

Amounts owed to group undertakings payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at the amortised cost, being the transaction price less any amounts settled.

Amounts owed to group undertakings which are payable in more than one year are initially recorded at the transaction price which is the deemed fair value because on inception the terms of the agreement state that interest is charged at a market rate. Subsequently amounts are measured at the amortised cost, being the transaction price less any amounts settled.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

WATSON WYATT (UK) ACQUISITIONS 1 LIMITED

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. ACCOUNTING POLICIES (continued)

f. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

g. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets and liabilities are not discounted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less/(more) than the value at which it is recognised, a deferred tax liability/(asset) is recognised for the additional tax that will be paid/(avoided) in respect of that difference. Similarly, a deferred tax asset/(liability) is recognised for the additional tax that will be avoided/(paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

h. Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

WATSON WYATT (UK) ACQUISITIONS 1 LIMITED

Notes to the financial statements for the year ended 31 December 2019 (continued)

1. ACCOUNTING POLICIES (continued)

i. Revenue recognition

Interest income

Revenue is recognised as interest accrues.

Other income - dividends from subsidiary undertakings

Other income is recognised when the Company's right to receive payment is established.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the Company's accounting policies

The directors identified no critical judgements in applying the Company's accounting policies.

Key sources of estimation uncertainty

Impairment of investments in subsidiaries

Determining whether the Company's investment in a subsidiary has been impaired requires estimations of the investment's fair value, less costs of disposal, and/or value in use. Management judgement is required to identify comparable recent transactions and/or to estimate the future cash flows expected to arise from the investment and select a suitable discount rate to use in calculating present value. See note 8 for the carrying amount of investments in subsidiaries. No impairment loss was recognised in either the current or prior year.

3. PROFIT / (LOSS) BEFORE TAXATION

The auditor's remuneration for the audit of the financial statements of the Company for the year was \$11,000 (2018 - \$11,365) was borne by a subsidiary undertaking.

4. DIRECTORS EMOLUMENTS

No remuneration was payable to the directors of the Company in either the current or prior year. The directors are considered to be group employees in both the current or prior year and as such are remunerated through a fellow group undertaking. No allocation is made to this entity for their qualifying services.

5. STAFF COSTS

The Company had no employees during the current or prior year.

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2019 \$'000	2018 \$'000
Group undertakings	14,187	10,866

WATSON WYATT (UK) ACQUISITIONS 1 LIMITED

Notes to the financial statements for the year ended 31 December 2019 (continued)

7. TAX ON PROFIT/(LOSS)

The rate of UK corporation tax for the year is 19% (2018 - 19%).

	2019 \$'000	2018 \$'000
UK corporation tax recoverable at 19% (2018 - 19%)		
UK corporation tax	2,698	2,068
Prior period adjustment	(1,623)	—
Current tax credit on profit /(loss) for the year	1,075	2,068

The tax assessed for the period differs from that resulting from applying the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below.

Reconciliation of total tax charge	2019 \$'000	2018 \$'000
Profit/ (loss) before tax	785,843	(10,886)
Tax (charge)/credit for the year at 19% (2018 - 19%)	(149,310)	2,068
Income not taxable	152,008	—
Prior year adjustment	(1,623)	—
Current tax credit on profit /(loss) for the year	1,075	2,068

8. FIXED ASSET INVESTMENTS

Shares in group undertakings	Net book value \$'000
Cost	
At beginning of period	695,701
At end of period	695,701

Fixed asset investments relate wholly to the 82% direct holding in Watson Wyatt (UK) Acquisitions 2 Limited, which includes 100% of the redeemable shares and 100% direct holding in The Wyatt Company Holdings Limited, whose registered office is Watson House, London Road, Reigate, Surrey, RH2 9PQ, England. The Company holds, indirectly, the issued ordinary share capital of the companies set out below in the proportions shown. Voting rights in these companies are held in the same proportion.

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WATSON WYATT (UK) ACQUISITIONS 1 LIMITED

Notes to the financial statements for the year ended 31 December 2019 (continued)

8. FIXED ASSET INVESTMENTS (continued)

Indirect - Subsidiary undertakings	Holding	Registered office	Nature of business
The Wyatt Company (UK) Limited	100%	Watson House, London Road, Reigate, Surrey, RH2 9PQ, England	Dormant
Watson Wyatt (UK) Acquisitions 2 Limited *	18%	Watson House, London Road, Reigate, Surrey, RH2 9PQ, England	Holding company
Willis Towers Watson UK Holocene Limited	74%	51 Lime Street, London, EC3M 7DQ, England	Holding company
Retirement Online (Pty) Limited	78.84%	Level 4, Montclare Place, 23 Main Road, Claremont, 7708, South Africa	Dormant
Towers Watson (Pty) Limited	78.84%	Level 4, Montclare Place, 23 Main Road, Claremont, 7708, South Africa	Actuarial & consulting
Towers Watson South Africa Holdings (Pty) Limited	78.84%	Level 4, Montclare Place, 23 Main Road, Claremont, 7708, South Africa	Actuarial & consulting
Actuary Online (Pty) Limited	94.21%	Level 4, Montclare Place, 23 Main Road, Claremont, 7708, South Africa	Holding Company
Towers Watson AG	74%	Talstrasse 62, Postfach, CH 8021 Zurich, Switzerland	Actuarial & consulting

* In addition to this holding, 82% is held directly by the Company.

Indirect - other investments	Holding	Registered office	Nature of business
Towers Watson de España SA	43.18%	Martinez Villergas, 52, 5ª planta, 28027 Madrid, Spain	Actuarial & consulting
Towers Watson KK	4.24%	6th Floor, Teikoku Hotel Tower, 1-1-1, Uchisaiwai-cho, Chiyoda-ku, Tokyo, Japan	Actuarial & consulting
Towers Watson Investment Services KK	4.24%	Hibiya Park Front 13F, 2-1-6 Uchisaiwai-cho, Chiyoda-ku, Tokyo, 100-0011, Japan	Actuarial & consulting
Willis Towers Watson Investments Korea Limited	4.24%	(Center 1 West Tower, Suha-dong) 7 Fl., Eulji-ro 5-gil 26, Jung-gu, Seoul, Korea, Republic of	Actuarial & consulting
Willis Towers Watson France Holdings Limited	7.3%	51 Lime Street, London, EC3M 7DQ, England	Holding company
Willis Towers Watson Consulting AB	1%	Norrlandsgatan 6, Stockholm, 111 43, Sweden	Actuarial & consulting
Willis Towers Watson Consulting (Singapore) Pt Limited	31.75%	63 Chulia Street, #09-01 OCBC Centre East, Singapore 049514	Actuarial & consulting

9. DEBTORS

	Amounts falling due after more than one year		Amounts falling due within one year	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Corporation tax recoverable	—	—	2,699	3,060
Amounts owed by group undertakings	4,776	—	299	3,316
	4,776	—	2,998	6,376

WATSON WYATT (UK) ACQUISITIONS 1 LIMITED

Notes to the financial statements for the year ended 31 December 2019 (continued)

10. CREDITORS: amounts falling due within one year

	2019 \$'000	2018 \$'000
Amounts owed to group undertakings	59,881	478,136

11. SHARE CAPITAL AND RESERVES

	2019 \$	2018 \$
Called up, allotted and fully paid		
115 (2018 - 115) Ordinary shares of £1 each	181	181

The Company's other reserves comprise:

- Non-distributable reserve 1 - relates to a loan waived in the year ended 30 June 2006 of \$42,124,221 and \$12,020,000 which relates to a capital contribution made in 2006 to which restrictions with regard to distribution remain attached. The restrictions relating to both these contributions could be removed if the appropriate steps to remove the restriction are taken.
- Non-distributable reserve 2 - relates to share contributions as part of group restructuring. The reserve is non-distributable.
- Profit and loss reserve which represents cumulative profits or losses, net of dividends paid and other adjustments.

12. ULTIMATE PARENT COMPANY AND CONTROLLING ENTITY

The Company is a wholly owned subsidiary of Towers Watson Global 3 Limited, whose registered office is Watson House, London Road, Reigate, Surrey, RH2 9PQ, England.

The ultimate parent company and controlling entity is Willis Towers Watson plc whose registered office is Willis Towers Watson plc, Willis Towers Watson House, Elm Park, Merrion Road, Dublin DO4 P231, The Republic of Ireland and listed on NASDAQ Global Select Market.

The largest and smallest group into which the Company's financial statements are consolidated is Willis Towers Watson plc.

Consolidated financial statements of Willis Towers Watson plc. for the year ended 31 December 2019 are available on the Willis Towers Watson website at: www.willistowerswatson.com.

13. RELATED PARTY TRANSACTIONS

The Company has taken advantage, as a 100% owned subsidiary, of the exemption under Financial Reporting Standard FRS102 1.12(e), from disclosure of transactions and balances with group companies. Accordingly, transactions with Willis Towers Watson plc. and its subsidiary undertakings are not disclosed separately.

WATSON WYATT (UK) ACQUISITIONS 1 LIMITED

Notes to the financial statements for the year ended 31 December 2019 (continued)

14. POST BALANCE SHEET EVENTS

Since the year end the following post balance sheet events occurred:

- On 9 March 2020, WTW and Aon plc ('Aon') issued an announcement disclosing that the boards of directors of WTW and Aon had reached agreement on the terms of a recommended acquisition of WTW by Aon. On 26 August 2020, WTW and Aon announced that their respective shareholders had approved all the proposals necessary to complete this combination. The transaction is subject to other customary closing conditions, including required regulatory approvals. The parties expect the transaction to close in the first half of 2021, subject to satisfaction of these conditions.
- The Directors have considered the impact of COVID-19 on the Company, which is a non-adjusting post balance sheet event. Assets and liabilities have been measured based on events and conditions at the balance sheet date. It is not practical to provide further quantitative disclosure of the impact of COVID-19 on assets and liabilities.
- Since the year end, the Company issued 50 £1 Ordinary shares at a premium to its parent company, in exchange for 100% of the issued share capital in Towers Watson Canada Inc.. The contribution value was \$523,000,000 (£394,922,529), being its previous carrying value and deemed fair value.
- Subsequent to this, Towers Watson Canada Inc. declared and paid a dividend in CAD\$ being the equivalent of \$25,000,000.