

Aon Overseas Holdings Limited

Company registration number 08159690

Annual Report - 31 December 2020



Aon Overseas Holdings Limited
Contents
31 December 2020

| | |
|--|----|
| Corporate directory | 2 |
| Strategic report | 3 |
| Directors' report | 10 |
| Directors' responsibilities statement | 12 |
| Independent auditor's report to the members of Aon Overseas Holdings Limited | 13 |
| Statement of profit or loss and other comprehensive income | 16 |
| Statement of financial position | 17 |
| Statement of changes in equity | 18 |
| Notes to the financial statements | 19 |

Aon Overseas Holdings Limited
Corporate directory
31 December 2020

| | |
|-----------------------------|--|
| Directors | P Katsaouni-Dodd G Mugashu A M Vickers |
| Company secretary | CoSec 2000 Limited |
| Registered office | The Aon Centre The Leadenhall Building 122 Leadenhall Street London, EC3V 4AN United Kingdom |
| Principal place of business | The Aon Centre The Leadenhall Building 122 Leadenhall Street London, EC3V 4AN United Kingdom |
| Auditor | Ernst & Young LLP 25 Churchill Place London, E14 5EY United Kingdom |

Aon Overseas Holdings Limited
Strategic report
31 December 2020

The directors present their Strategic report of Aon Overseas Holdings Limited ("the Company") for the year ended 31 December 2020.

The Company is a company limited by shares, incorporated in the United Kingdom ("UK") under the UK Companies Act 2006 ("the 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 United States Dollars ("US Dollars") 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 amended Accounting Standards and Interpretations issued by the Financial Reporting Council ("FRC") that are mandatory for the current reporting period.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements under Section 401 of the Companies Act, because it is included in the Group financial statements of Aon plc ("the Group"). Aon plc accounts are prepared in accordance with accounting standards which are equivalent to IFRS, as determined pursuant to Commission Regulation (EC) No. 1569/2007(6) of 21 December 2007 establishing a mechanism for the determination of equivalence of accounting standards applied by third country issuers of securities pursuant to Directives 2003/71/EC and 2004/109/EC of the European Parliament and of the Council. The Group financial statements are available to the public and can be obtained as set out in note 27.

Principal activities

The principal activity of the Company during the year was that of an intermediate holding company.

Review of operations

The Company made a profit for the financial year of \$78.2m (2019: \$33.9m). The Company's key financial and other performance indicators during the year were as follows

| | 2020 \$'000 | 2019 \$'000 | Change \$'000 | Change % |
|--|----------------|----------------|------------------|-------------|
| Revenue | 4,023 | 1,012,406 | (1,008,383) | (100%) |
| Administration expenses | 38,557 | (1,015,161) | 1,053,718 | (104%) |
| Interest receivable and similar income | 74,921 | 48,848 | 26,073 | 53% |
| Interest payable and similar charges | - | (8,527) | 8,527 | (100%) |
| Other gains and losses | (35,548) | 7,495 | (43,043) | (574%) |

Revenue

The revenue balance has decreased by \$1,008.4m due to lower dividends received this year when compared to the prior year.

Administrative expenses

Administrative expenses decreased by \$1,053.7m, when compared to the prior year. The 2020 income relates to foreign exchange gain of \$42.6m (2019: loss of \$9.7m), offset by impairment charge of \$3.8m (2019: \$1,006.6m). Expected credit losses ("ECL") in 2020 were \$0.2m (2019: reversal of \$1.2m).

Aon Overseas Holdings Limited
Strategic report
31 December 2020

The interest receivable and similar income

The interest receivable and similar income for the year has increased to \$74.9m (2019: \$48.8m) due to the issue of two new loan notes by fellow Group undertakings. Please refer to note 17 for more information.

The interest payable and similar charges

The interest payable and similar charges for the year have decreased to \$Nil (2019: \$8.5m) due to an early repayment of non-current borrowings during 2019.

Other gains and losses

Other gains and losses in 2020 relates to a) higher hedge ineffectiveness on the cash flow hedges loss of \$35.6m (2019: gain \$22.6m), b) early loan repayment fee gain received in the prior year of \$7.0m, offset by c) loss on a debt extinguishment of \$22.1m in the prior year.

| | 2020 \$'000 | 2019 \$'000 |
|---------------------|----------------|------------------|
| Shareholder's funds | 2,080,886 | 1,484,339 |
| Net current assets | <u>501,809</u> | <u>1,045,773</u> |

The Company's shareholder's funds increased by \$596.6m mainly due to a new shares issuance of \$518.4m and \$78.2m profit for the year.

Net current assets have decreased by \$544.0m mainly due to a decrease in cash of \$867.7m used to issue a long-term loan receivable to fellow group companies of \$1,120.0m partly financed by issuance of new shares noted above of \$518.4m and a decrease in trade and other receivables of \$33.5m, offset by the increase in other current receivables of \$354.8m transferred from long term receivables since its maturing in 2021 and a decrease in income tax payable of \$2.4m.

Aon Overseas Holdings Limited
Strategic report
31 December 2020

On 4 March 2020, the Company issued a loan note with a principal amount of \$340.0m to Aon Delta Spain S.L ("ADSL") (formerly Aon Delta Bermuda S.L) at an interest rate of 4.125% with the maturity date of 31 December 2023.

On 30 March 2020, the Company issued further 100 ordinary shares of \$1.00 each to its sole shareholder, Aon Global Holdings Plc ("AGH plc") (formerly Aon Global Holdings Limited) for a cash consideration of \$518.4m resulting in share premium of \$518.4m.

On the same day the Company issued a loan note with a principal amount of \$1,120.0m to Aon Group International N.V. ("AGI NV"), at an interest rate of 5.00% with the maturity date of 29 March 2023.

On 15 October 2020, the Company formed a new subsidiary Aon Finance UK 3 Limited ("AFUK3L"), and subscribed to 1 ordinary share with a nominal value of 1 CAD cent.

On 2 December 2020, the Company contributed \$107.4m (equivalent to CAD \$139.0m) to AFUK3L in exchange for a further 999 ordinary shares with nominal value each of 1 CAD cent, with the remainder recorded as share premium in CAD in AFUK3L.

On 8 December 2020, the Company formed a new subsidiary Aon Finance UK 4 Limited ("AFUK4L") and subscribed to 1 ordinary share with a nominal value of 1 USD cent.

On 9 December 2020, Aon Group Pty Ltd. ("AGP Pty") purchased 779 shares in AFUK3L from the Company for \$84.7m (equivalent to CAD \$108.3m). On the same day, Aon Finance UK 1 Limited ("AFUK1L") purchased 140 shares of AFUK3L from the Company for \$15.2m (equivalent to CAD \$19.4m) and Aon ANZ Holdings Limited ("ANZHL") purchased 81 shares of AFUK3L from the Company for \$8.9m (equivalent to CAD \$11.4m). Overall these transactions resulted in a net foreign exchange gain on disposals of \$1.3m recognised in the Statement of profit or loss and other comprehensive income.

On 16 December 2020, the Company contributed \$275.0m to AFUK4L in exchange for further 274 ordinary shares with a nominal value each of 1 USD cent, with the remainder recorded as share premium in AFUK4L.

On 23 December 2020, Aon Holdings International B.V. ("AHI BV") purchased 275 shares in AFUK4L from the Company for \$275.0m.

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 the Company's 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 the Company's business specifically and the industries in which the Group operates generally that could adversely affect the Company's business, financial condition and results of operations and cause actual results to differ materially from those included in the forward-looking statements in this document and elsewhere.

Accounting estimates and assumptions

The Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of our financial statements. The Company periodically evaluates its estimates and assumptions including, but not limited to, those relating to recoverability of assets including investments in subsidiaries, intercompany receivables, and income taxes. The Company bases its estimates on historical experience and various assumptions that it believes to be reasonable based on specific circumstances. These assumptions and estimates involve the exercise of judgement and discretion, which may evolve over time in light of operational experience, regulatory direction, developments in accounting principles, and other factors. Actual results could differ from these estimates, or changes in assumptions, estimates, policies, or developments in the business may change the Company's initial estimates, which could materially affect the Statements of profit and loss and other comprehensive income, Statement of financial position, and Statement of changes in equity.

Aon Overseas Holdings Limited
Strategic report
31 December 2020

Ability to receive dividends from subsidiaries

The Company is an intermediate holding company and, therefore, a legal entity separate and distinct from its subsidiaries. As a holding company without significant operations of its own, its principal assets are the shares of capital stock of its subsidiaries. The Company's subsidiaries are subject to the regulatory requirements of the jurisdictions in which they operate or other restrictions that may limit the amounts that they can pay in dividends or other payments to the Company. No assurance can be given that there will not be further changes in law, regulatory actions, or other circumstances that could restrict the ability of subsidiaries to pay dividends or other payments.

Coronavirus

The novel Coronavirus global pandemic has created significant public health concerns and significant volatility, uncertainty, and economic disruption in every region where the Company or the Aon Group operates.

A number of evolving factors related to the continued global pandemic and the post-pandemic recovery period may influence the duration, nature and extent of the impact on the Company's business and financial results. Such factors include worldwide macroeconomic conditions, including interest rates, employment rates, consumer confidence and spending, gross domestic product, property values, changes in client behaviour and business closures.

At a microeconomic level, the Company's profitability and cashflows might be impacted by a decline in business of the Company's direct or indirect subsidiaries, their ability to pay dividends or the ability of counterparties to pay for services on time or at all. Ongoing travel restrictions, lockdowns, quarantines, social distancing, and alternative work arrangements may impact the Company's subsidiaries' ability to sell and provide services, the health and wellbeing of their employees as well as potential effects on the Company's internal controls and risk mitigation processes including those over financial reporting, as a result of changes in working environments for the Company's business partners.

Furthermore, resurgences of spread, identification of new, more contagious variants of the virus, resulting in further lockdowns, government restrictions or recommendations and uncertainties in vaccine manufacturing, accessibility and adoption may further increase the impact of the factors noted above.

In addition, the continuing Coronavirus pandemic may again create significant disruptions in the credit or financial markets, or impact Aon plc credit ratings, which could adversely affect the Group's ability to access capital on favourable terms or at all.

Finally, the impact of the Coronavirus pandemic may heighten other risks discussed in this annual report which could adversely affect the Company's business, financial condition, results of operations and cash flows.

Despite this challenging backdrop, the Company and the overall Aon group has continued to demonstrate operational and financial resilience over the course of 2020 as demonstrated by their results for the year. Close monitoring of the Company's financial performance and working capital position to maintain profitability and cashflow at sustainable levels has also contributed to a strong result for the year.

Economic and Political risks

The economic and political conditions of the countries and regions in which the Company and the wider Aon Group operates, including the UK's withdrawal from the European Union (EU), could have an adverse impact on the Company's business, financial condition, operating results, liquidity, and prospects for growth.

The UK formally withdrew from the EU, commonly referred to as Brexit, and ratified a trade cooperation agreement governing its future relationship with the EU. The agreement, which is being applied provisionally from 1 January 2021, until it is ratified by the European Parliament and the Council of the EU, addresses trade, economic arrangements, law enforcement, judicial cooperation and a governance framework including procedures for dispute resolution, among other things. The agreement merely sets forth a framework in many respects and will require complex additional bilateral negotiations between the UK and the EU as both parties continue to work on the rules for implementation, significant political and economic uncertainty remains

The lack of clarity around the future relationship between the UK and the EU creates uncertainty that may have a material impact on the Company's business and operations. The Company may also be required to incur additional expense as it adapts to and creates the ability to operate within the new political and regulatory environment.

Aon Overseas Holdings Limited
Strategic report
31 December 2020

Non-current assets impairment charges

The company may be required to record future impairment charges relating to other non-current assets.

Non-current assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that may be considered in assessing whether other non-current assets may not be recoverable include a decline in our ultimate parent's share price or market capitalisation, reduced estimates of future cash flows and slower growth rates in our industry. Unforeseen circumstances may be experienced that adversely affect the value of other non-current assets. Future impairment charges relating to other non-current assets could materially impact the financial statements.

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular, for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used.

Risks Related to Aon - Willis Towers Watson ("WTW") combination ("the Combination")

On 9 March 2020, Aon and WTW, entered into a Business Combination Agreement with respect to a combination of the parties. At the effective date of the Combination, WTW shareholders will be entitled to receive 1.08 newly issued Class A ordinary shares of Aon plc in exchange for each ordinary share of WTW held by such holders. The Combination is subject to Irish Takeover Rules. The Business Combination Agreement contains certain operating covenants relating to the conduct of business of both parties in the interim period until the transaction is completed. These covenants require both parties to operate their respective businesses in all material respects in the ordinary course of business consistent with past practice. In addition, these covenants restrict each party from engaging in certain actions unless a party obtains the prior written consent of the other party. These actions relate to, among other things, authorising or paying dividends above a specified rate, issuing or authorising for issuance additional securities, salary, benefits or other compensation and employment-related matters, capital management, debt and liquidity matters, engaging in mergers, acquisitions and dispositions, entering into or materially modifying material agreements, entering into material litigation-related settlements, and making other corporate, tax and accounting changes. The parties' respective shareholders approved the Combination on 26 August 2020.

The Combination is subject to customary closing conditions, including conditions related to regulatory approvals, and may not be completed on a timely basis, or at all, or may be completed on a basis that has a material impact on the value of the combined company. Failure to close the Combination could negatively impact future business and financial results of the wider Aon Group and the Company.

While the Combination is pending, the Company is subject to business uncertainties related to its relationships with employees, clients and suppliers, which could adversely affect its business and operations. These uncertainties could also adversely affect the combined company following the Combination

Financial risk management

Objectives and policies

The Company's activities expose it to a variety of financial risks. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

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, such as USD, Euro ("EUR") and Peruvian sol ("PEN"). The Company uses foreign exchange derivatives, typically options, to reduce its overall exposure to the effects of currency fluctuations on cash flows. These exposures are hedged, on average, for less than two years. These derivatives are accounted for as hedges and changes in fair value are recorded each period within the Statement of other comprehensive income.

Aon Overseas Holdings Limited
Strategic report
31 December 2020

The Company also uses foreign exchange derivatives, typically forward contracts, to economically hedge the currency exposure of the Company's liquidity profile, including monetary assets or liabilities that are denominated in a non-functional currency of an entity, typically on a rolling 30-day basis. These derivatives are not accounted for as hedges, and changes in fair value are recorded each period in other gains and losses in the Statement of profit or loss.

Details of the Company's derivatives are disclosed in notes 10 and 14.

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 the Group's policies are aimed at minimising such losses. For debt instruments, the ECL is based on the portion of lifetime ECLs ("LTECL") that would result from default events on a financial instrument that are possible within 12 months after the reporting period. However, when there has been a significant increase in credit risk since the origination or purchase of the assets, the allowance is based on the full LTECL.

The Company's principal financial assets are amounts owed by fellow Group undertakings. Details of the Company's receivables are disclosed in note 12, 15 and 17.

With the exception of the cash pooling arrangements as detailed in note 25, the Company has no significant concentration of credit risk outside of the group, with exposure spread over a large number of counterparties and customers.

The Aon Group

On 1 April 2020, a reorganisation of the corporate structure of the group of companies controlled by Aon plc as holding company of the Aon group was completed, pursuant to which the former parent entity, then called Aon plc delisted and became a wholly owned subsidiary under a new name, Aon Global Limited. At that point a new group ultimate holding company was established in Ireland under the name of Aon plc. This latter Aon plc was the Company's ultimate parent entity as at 31 December 2020.

The new Aon plc is a company incorporated and registered in the Republic of Ireland, listed on the New York Stock Exchange ("NYSE") which had net assets of circa US \$3.6 billion (2019: the previous Aon Plc had US \$3.4 billion) as disclosed in its audited financial statements for the year ended 31 December 2020 and had an S&P rating of A-/Stable. The Company benefits from being part of a large group of companies (the "Group") and from certain Group undertakings that provide services in a wide range of areas including Group credit facilities detailed in note 25 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 principal risks.

Section 172 statement

During the year the directors have had due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 and have accordingly promoted the long-term success of the Company for the benefit of stakeholders as a whole. Details of how Board of the directors (the "Board") have had regard to those matters, including the consideration of the interests of stakeholders, are set out below.

The Company acts as a holding company within the Aon Group of Companies and is part of a group of companies run and governed in the UK with an established corporate governance framework. The framework ensures that board decisions are made with the long-term success of the Company in mind and that its key stakeholders remain at the forefront of the decision-making process. Accordingly:

- directors are encouraged to attend training courses to ensure they are up to date with their section 172 duty;
- the information provided to board meetings is sufficiently detailed to enable Directors to consider the wider impact of decision making; and
- as part of the wider Aon Group, employees working on the Company's activities are subject to group policies and processes which are centred around good conduct and working practice.

Aon Overseas Holdings Limited
Strategic report
31 December 2020

The Board has identified the key risks facing the business and which are further detailed in the 'Principal Risks' section above. Board decisions are made with these risks in mind.

In reaching decisions, the Board considers conclusions from an extended governance review across the Group which includes advice from legal, finance, treasury and tax as well as other in-house specialists, external counsel and consultants as appropriate.

As a holding entity our key stakeholders are our parent entities. Where matters presented to the Board impact the wider Aon Group, the Board considers feedback from the Group Governance Committee on the matters presented for approval to ensure that the interests of the wider group are fully understood before reaching any decision.

Through Group specialist teams, the Company has an open and cooperative relationship with relevant government departments including HMRC and the Registrar of Companies.

Streamlined Energy and Carbon Reporting (SECR)

The UK government's Streamlined Energy and Carbon Reporting (SECR) policy was implemented on 1 April 2019, when "The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018" came into force. The legislation requires that large (as defined in sections 465 and 466 of the Companies Act 2006), unquoted companies report on UK energy use and associated greenhouse gas emissions relating to gas, electricity and transport fuel, as well as an intensity ratio and information relating to energy efficiency action, through its annual report.

Aon Overseas Holdings Limited is part of the Aon UK group of companies that meets the criteria of a "large company" under the scheme. For Aon UK group companies, the directors' decision was to aggregate together the reporting under SECR. The Directors have appointed Aon Global Limited as the responsible undertaking. Detailed energy and carbon disclosures can be found within the Directors' Report of Aon Global Limited as at 31 December 2020.

Likely future developments

It is not anticipated that there will be any material change in the activity of the Company in the foreseeable future. Specific details of how management have considered the impact of the ongoing Coronavirus pandemic have been included in the Directors' Report and in note 1.

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

For and on behalf of the Board of Directors

Pamela Munalula

P Munalula, for and on behalf of Cosec 2000 Limited
Company Secretary

22 July 2021

Aon Overseas Holdings Limited
Directors' report
31 December 2020

The Directors present their report, together with the financial statements of the Company for the year ended 31 December 2020.

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

There were no dividends paid, recommended or declared during the current or previous financial year.

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 are disclosed in the Strategic report.

Streamlined Energy and Carbon Reporting (SECR)

Information on how the Company complies with SECR is disclosed in the Strategic report.

Going concern

The Directors have prepared a going concern assessment for Aon Overseas Holdings Limited for the financial period to July 2022 (reflecting a one-year projection from the date of the signing of the 2020 statutory accounts in July 2021).

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposures to credit, liquidity and cash flow risk are described in the Strategic report and in note 1.

The Directors believe that the Company has adequate financial resources, and is well placed to manage the Company's business risks successfully despite the current uncertain economic outlook.

The Board expects the Company will continue to generate positive cash flows for the foreseeable future. The Company also participates in the Group's centralised treasury arrangements and therefore its liquidity benefits from banking arrangements with its parent and fellow Group undertakings.

Further to this the Company continues to receive interest receivable from its loan receivables and cash dividends from its subsidiary undertakings and participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow group undertakings. The directors of the Company are not aware of or have any reason to believe in regard to Aon plc, that a material uncertainty exists that might 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.

Taking account of the uncertainties arising as a result of the Coronavirus pandemic, the directors of the Company are not aware of nor 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 Group to continue as a going concern or its ability to continue with the current banking arrangements.

Aon Overseas Holdings Limited
Directors' report
31 December 2020

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, the Board continues to adopt the going concern basis in preparing the annual report and financial statements.

Events after the reporting period date

The intercompany loan note between the Company and Aon Holdings France SNC, issued on 27 June 2014, and maturing on 14 May 2021, was partially settled through a partial repayment of €51.0m plus the interest accrued until maturity of €12.4m, totalling €63.4m. The original loan was partially refinanced for €240.0m with a 5-year maturity date of 14 May 2026 and an interest rate of 4.25%.

No other matter or circumstance has arisen since 31 December 2020 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 needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that they are obliged to take as a director in order 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 its 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.

For and on behalf of the Board of directors

Pamela Munalula

P Munalula, for and on behalf of Cosec 2000 Limited
Company Secretary

22 July 2021

Aon Overseas Holdings Limited
Directors' responsibilities statement
31 December 2020

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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Aon Overseas Holdings Limited
Independent auditor's report to the members of Aon Overseas Holdings Limited
31 December 2020

Opinion

We have audited the financial statements of Aon Overseas Holdings Limited for the year ended 31 December 2020 which comprise of 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 27, 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 2020 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 contained within the annual report.

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.

Aon Overseas Holdings Limited
Independent auditor's report to the members of Aon Overseas Holdings Limited
31 December 2020

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;
- 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 12, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

Aon Overseas Holdings Limited

Independent auditor's report to the members of Aon Overseas Holdings Limited

31 December 2020

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the direct laws and regulations related to elements of company law and tax legislation, and the financial reporting framework.
- We understood how Aon Overseas Holdings Limited is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. In assessing the effectiveness of the control environment, we have reviewed minutes of the Board meetings and gained an understanding of the Company's approach to governance.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions and the impact these have on the control environment and their potential to influence management manage the financial position of the company or influence the perceptions of stakeholders.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved
- Considering the effectiveness of management's controls designed to address the risk of fraud.
- Testing of journal entries and other adjustments in the preparation of the financial statements.
- Assessing accounting estimates for evidence of management bias
- Evaluating the business rationale for significant and/or unusual transactions.

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.

Ernst & Young LLP

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

23 July 2021

Aon Overseas Holdings Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2020

| | Note | 2020 \$'000 | 2019 \$'000 |
|--|-------------|------------------------|------------------------|
| Revenue | 3 | 4,023 | 1,012,406 |
| Expenses | | | |
| Administrative expenses | 4 | <u>38,557</u> | <u>(1,015,161)</u> |
| Operating (loss)/ profit | | 42,580 | (2,755) |
| Interest receivable and similar income | 8 | 74,921 | 48,848 |
| Interest payable and similar charges | 9 | - | (8,527) |
| Other gains and losses | 10 | <u>(35,548)</u> | <u>7,495</u> |
| Profit before income tax charge | | 81,953 | 45,061 |
| Income tax charge | 11 | <u>(3,795)</u> | <u>(11,202)</u> |
| Profit after income tax charge for the year attributable to the owners of Aon Overseas Holdings Limited | 23 | 78,158 | 33,859 |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive income for the year attributable to the owners of Aon Overseas Holdings Limited | | <u><u>78,158</u></u> | <u><u>33,859</u></u> |

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

Aon Overseas Holdings Limited
Statement of financial position
As at 31 December 2020

| | Note | 2020 \$'000 | 2019 \$'000 |
|----------------------------------|------|------------------|------------------|
| Assets | | | |
| Current assets | | | |
| Trade and other receivables | 12 | 77,834 | 111,330 |
| Cash and cash equivalents | 13 | 69,390 | 937,082 |
| Derivative financial instruments | 14 | 19 | 6 |
| Other receivables | 15 | 354,816 | - |
| Total current assets | | <u>502,059</u> | <u>1,048,418</u> |
| Non-current assets | | | |
| Investments in subsidiaries | 16 | 16,252 | 20,062 |
| Other receivables | 17 | 1,562,825 | 416,740 |
| Deferred tax asset | 18 | - | 1,764 |
| Total non-current assets | | <u>1,579,077</u> | <u>438,566</u> |
| Total assets | | <u>2,081,136</u> | <u>1,486,984</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 19 | 186 | 185 |
| Income tax payable | 20 | 64 | 2,460 |
| Total current liabilities | | <u>250</u> | <u>2,645</u> |
| Total liabilities | | <u>250</u> | <u>2,645</u> |
| Net assets | | <u>2,080,886</u> | <u>1,484,339</u> |
| Equity | | | |
| Share capital | 21 | 40 | 40 |
| Share premium account | 22 | 518,389 | - |
| Retained profits | 23 | 1,562,457 | 1,484,299 |
| Total equity | | <u>2,080,886</u> | <u>1,484,339</u> |

The Company's registered number is 08159690.



A Vickers
 Director

22 July 2021

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

Aon Overseas Holdings Limited
Statement of changes in equity
For the year ended 31 December 2020

| | capital \$'000 | Share premium \$'000 | Capital contribution reserve \$'000 | Retained profits \$'000 | Total equity \$'000 |
|--|-------------------|----------------------------|--|-------------------------------|------------------------|
| Balance at 1 January 2019 | 40 | 1,500,120 | 26,704 | (76,384) | 1,450,480 |
| Profit after income tax charge for the year | - | - | - | 33,859 | 33,859 |
| Other comprehensive income for the year, net of tax | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | 33,859 | 33,859 |
| Transfer from share premium reserve (note 22) | - | (1,500,120) | - | 1,500,120 | - |
| Transfer from capital contribution reserve | - | - | (26,704) | 26,704 | - |
| Balance at 31 December 2019 | 40 | - | - | 1,484,299 | 1,484,339 |

| | capital \$'000 | Share premium \$'000 | Capital contribution reserve \$'000 | Retained profits \$'000 | Total equity \$'000 |
|--|-------------------|----------------------------|--|-------------------------------|------------------------|
| Balance at 1 January 2020 | 40 | - | - | 1,484,299 | 1,484,339 |
| Profit after income tax charge for the year | - | - | - | 78,158 | 78,158 |
| Other comprehensive income for the year, net of tax | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | 78,158 | 78,158 |
| <i>Transactions with shareholders in their capacity as owners:</i> | | | | | |
| New shares issued (note 21) | - | 518,389 | - | - | 518,389 |
| Balance at 31 December 2020 | 40 | 518,389 | - | 1,562,457 | 2,080,886 |

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

Aon Overseas Holdings Limited
Notes to the financial statements
31 December 2020

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' and Companies Act.

As permitted by FRS 101, the Company has taken advantage of all of the disclosure exemptions available to it, including: statement of cash flows, new Accounting Standards not yet mandatory, presentation of comparative information for certain assets, impairment of assets, capital risk management, financial instruments, fair value measurement, key management personnel, related party transactions, business combinations and share-based payments.

Amounts in the financial statements have been rounded off to the nearest thousand US Dollars, or in certain cases, the nearest US Dollar.

The financial statements have been prepared under the historical cost convention, except for, where applicable, financial assets and liabilities at fair value through profit or loss, financial assets and liabilities at fair value through other comprehensive income, certain classes of property, plant and equipment and derivative financial instruments.

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.

The financial statements have been prepared on a going concern basis. The directors have considered the appropriateness of the going concern basis in the Directors' report.

In preparing the going concern assessment as described in the Directors' Report, management have considered the impact that the ongoing Coronavirus pandemic might have on the worldwide economic activity and how it might impact the financial position of the Company.

The principal activity of the Company is that of an intermediate holding company. As a holding company, transactions during the year are minimal, largely consisting of the receipt and onward payment of dividends. The Company has minimal liquidity needs and the main assets of the Company are its investments in subsidiaries which are currently continuing to trade effectively. The Aon Group is fully operational and has deployed business continuity protocols to facilitate remote working capabilities. As such, management do not expect the Company to be materially impacted by the Coronavirus pandemic and the directors consider it appropriate to continue to prepare the accounts on a going concern basis.

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, 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 27.

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.

Aon Overseas Holdings Limited
Notes to the financial statements
31 December 2020

1. Significant accounting policies (continued)

Basis of consolidation

The Company has taken advantage of the exemption from preparation of consolidated financial statements under Section 401 of the Companies Act, because it is included in the Group financial statements of Aon plc ("the Group"). Aon plc accounts are prepared in accordance with accounting standards which are equivalent to IFRS, as determined pursuant to Commission Regulation (EC) No. 1569/2007(6) of 21 December 2007 establishing a mechanism for the determination of equivalence of accounting standards applied by third country issuers of securities pursuant to Directives 2003/71/EC and 2004/109/EC of the European Parliament and of the Council.

The Group financial statements are available to the public and can be obtained as set out in note 27.

As permitted by FRS 101, the Company has taken advantage of all of the disclosure exemptions available to it, including: Statement of cash flows, new Accounting Standards not yet mandatory, disaggregation of revenue, reconciliations of contract assets and liabilities, unsatisfied performance obligations, presentation of comparative information for certain assets, impairment of assets, capital risk management, financial instruments, fair value measurement, key management personnel, related party transactions, business combinations and share-based payments.

Revenue

Revenue represents dividends received from subsidiary undertakings. Revenue is recognised when the right to receive payment is legally established.

Foreign currencies

The presentational currency is US Dollars, 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 (foreign currencies) 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 foreign currencies are retranslated 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.

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.

Aon Overseas Holdings Limited
Notes to the financial statements
31 December 2020

1. Significant accounting policies (continued)

Taxation

Current tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

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 the Statement of other comprehensive income, for items that are charged or credited directly in the 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 Company's 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 Company's 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 with financial institutions. Their estimated fair value approximates their carrying values.

Aon Overseas Holdings Limited
Notes to the financial statements
31 December 2020

1. Significant accounting policies (continued)

Trade and other receivables

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Other financial assets

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 profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification.

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 other receivables

Loans and receivables are non-derivative financial assets 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 when the asset is derecognised or impaired.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Derivative financial instruments

The Company enters into a variety of derivative financial instrument contracts to mitigate its exposure to foreign exchange rate risk. Derivative financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the investment. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as a hedging instrument and deemed to be highly effective, in which event recognition in the Statement of profit or loss is only upon expiration or realisation. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are classified as current or non-current depending on the expected period of realisation.

Aon Overseas Holdings Limited
Notes to the financial statements
31 December 2020

1. Significant accounting policies (continued)

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.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a forward-looking 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For financial assets at fair value through profit or loss, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the statement of financial position.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

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 and associates 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.

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.

Issued capital

Ordinary shares are classified as equity.

Aon Overseas Holdings Limited
Notes to the financial statements
31 December 2020

1. Significant accounting policies (continued)

Dividends

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

2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, that management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Allowance for expected credit losses

The allowance for expected credit losses on financial assets is based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period.

Coronavirus pandemic

Judgement has been exercised in considering the impacts that the Coronavirus pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Aon Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus pandemic.

Impairment of non-financial assets

The Company assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the Company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

3. Revenue

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|------------------|
| Dividends received from subsidiary undertakings | <u>4,023</u> | <u>1,012,406</u> |

Aon Overseas Holdings Limited
Notes to the financial statements
31 December 2020

4. Administrative expenses

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

| | 2020 \$'000 | 2019 \$'000 |
|--|------------------------------|------------------------------|
| Net foreign exchange (gains)/losses | (42,591) | 9,712 |
| Other administrative expenses | (1) | 23 |
| Impairment loss on investments | 3,810 | 1,006,589 |
| ECL charge/(reversal) on other receivables | 225 | (1,163) |
| | <u>(38,557)</u> | <u>1,015,161</u> |

Please refer to note 16 for details on the impairment charge on investments.

5. Average number of employees

The Company had no employees during the year (2019: Nil).

6. Directors' remuneration

| | 2020 \$'000 | 2019 \$'000 |
|---|------------------------------|------------------------------|
| Directors' remuneration | | |
| Aggregate remuneration in respect of qualifying services | 552 | 651 |
| Amounts received or receivable by directors under long term incentive schemes (other than shares and share options) in respect of qualifying services | 27 | 14 |
| Aggregate of company contributions paid in respect of money purchase schemes | 58 | 27 |
| Total | <u>637</u> | <u>692</u> |

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 (2019: Nil).

| | 2020 | 2019 |
|--|------------------------------|------------------------------|
| The number of directors who: | | |
| Received shares in respect of qualifying services under a long term incentive scheme | 2 | 2 |
| Accrued benefits under money purchase schemes | 3 | 4 |
| | 2020 \$'000 | 2019 \$'000 |
| Remuneration of the highest paid director: | | |
| Emoluments | 286 | 293 |
| Pension contributions | 16 | 10 |
| Total | <u>302</u> | <u>303</u> |

The highest paid director received 259 shares at an average price \$211.27 under long-term incentive schemes in 2020.

Aon Overseas Holdings Limited
Notes to the financial statements
31 December 2020

6. Directors' remuneration (continued)

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 these amounts between their services as directors of the company and their services to other Group companies. 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.

7. Auditor's remuneration

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

| | 2020 \$'000 | 2019 \$'000 |
|-----------------------------------|----------------|----------------|
| Audit of the financial statements | <u>8</u> | <u>8</u> |

The cost of the auditor's remuneration is borne by another Group company.

8. Interest receivable and similar income

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Bank interest receivable | 3,886 | 23,259 |
| Interest receivable from group undertakings | <u>71,035</u> | <u>25,589</u> |
| | <u>74,921</u> | <u>48,848</u> |

9. Interest payable and similar charges

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Interest payable to group undertakings | <u>-</u> | <u>8,527</u> |

10. Other gains and losses

| | 2020 \$'000 | 2019 \$'000 |
|---|-----------------|-----------------|
| (Profit)/Loss on disposal of investments | 11 | - |
| Hedge ineffectiveness on the cash flow hedges | (35,559) | 22,603 |
| Other non operating income | - | 7,018 |
| Debt extinguishment loss | <u>-</u> | <u>(22,126)</u> |
| | <u>(35,548)</u> | <u>7,495</u> |

Aon Overseas Holdings Limited
Notes to the financial statements
31 December 2020

11. Income tax charge

| | 2020 \$'000 | 2019 \$'000 |
|--|------------------------------|------------------------------|
| <i>Income tax charge</i> | | |
| Current tax | 2,031 | 5,827 |
| Deferred tax - origination and reversal of temporary differences (note 18) | 1,915 | 5,826 |
| Adjustment recognised for tax of prior periods | (1) | 2 |
| Impact of change in tax rates | (151) | (464) |
| Foreign tax | 1 | 11 |
| | <u>3,795</u> | <u>11,202</u> |
| Aggregate income tax charge | <u>3,795</u> | <u>11,202</u> |

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

The tax charge in the statement of profit or loss for the year is lower (2019: higher) than that calculated at the standard rate of corporation tax in the UK of 19%. The differences are reconciled below:

| | | |
|--|---------------|---------------|
| Profit before income tax charge | <u>81,953</u> | <u>45,061</u> |
| Tax at the statutory tax rate of 19% | 15,571 | 8,562 |
| Adjustment recognised for tax of prior periods | (1) | 2 |
| Expenses not deductible for tax purposes | 885 | 196,104 |
| Transfer pricing adjustments | - | (656) |
| Income not taxable | (764) | (192,357) |
| Loss/(gain) on disposal of investments | (246) | - |
| Group relief for \$nil consideration | (11,496) | - |
| Foreign tax | 1 | 11 |
| Impact of change in tax rates | (151) | (464) |
| Other | (4) | - |
| | <u>3,795</u> | <u>11,202</u> |
| Income tax charge | <u>3,795</u> | <u>11,202</u> |

The headline rate of UK corporation tax is currently 19%, which is the applicable rate at the balance sheet date.

During the year, following a change in group wide policy, the Company received \$11,496,000 of group relief for \$nil consideration.

In the Spring Budget 2021, the Government announced that it has the intention to increase the corporation tax rate to 25% from 1 April 2023. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

| | 2020 \$'000 | 2019 \$'000 |
|---|------------------------------|------------------------------|
| <i>Deferred tax in the statement of profit or loss:</i> | | |
| Utilisation of tax losses | <u>1,915</u> | <u>5,826</u> |
| Total deferred tax movement | <u>1,915</u> | <u>5,826</u> |

Aon Overseas Holdings Limited
Notes to the financial statements
31 December 2020

12. Current assets - Trade and other receivables

| | 2020 | 2019 |
|---|---------------|----------------|
| | \$'000 | \$'000 |
| Prepayments and accrued income | - | 1,459 |
| Amounts owed by fellow Group undertakings | 77,806 | 10,742 |
| Amounts owed by subsidiary undertakings | 28 | 44 |
| Amounts owed by parent undertaking | - | 99,085 |
| | <u>77,834</u> | <u>111,330</u> |

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

13. Current assets - Cash and cash equivalents

| | 2020 | 2019 |
|---------------------------|---------------|----------------|
| | \$'000 | \$'000 |
| Cash and cash equivalents | <u>69,390</u> | <u>937,082</u> |

14. Current assets - Derivative financial instruments

| | 2020 | 2019 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Foreign exchange options - cash flow hedges | <u>19</u> | <u>6</u> |

15. Current assets - Other receivables

| | 2020 | 2019 |
|---|----------------|---------------|
| | \$'000 | \$'000 |
| Amounts owed by fellow Group undertakings | <u>354,816</u> | <u>-</u> |

The amounts owed by fellow Group undertakings comprise €291.0m loan note from Aon Holdings France SNC, issued on 27 June 2014 with an interest rate of 4.25% and a maturity date of 14 May 2021.

16. Non-current assets - Investments in subsidiaries

| | 2020 | 2019 |
|-----------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Investments in subsidiaries | <u>16,252</u> | <u>20,062</u> |

Aon Overseas Holdings Limited
Notes to the financial statements
31 December 2020

16. Non-current assets - Investments in subsidiaries (continued)

The direct subsidiary undertakings of the Company as at 31 December 2020 are detailed below:

| Name | Address of registered office | Holding | Proportion held % |
|---|---|-----------------|--------------------------|
| Aon Graña Peru Corredores de Seguros SA | Calle Dionisio Derteano 144, oficina 1001, San Isidro Lima, Peru | Ordinary Shares | 99.99% |
| Aon Soluciones, S.A.C. | Calle Dionisio Derteano 144, oficina 1001, San Isidro Lima, Peru | Ordinary Shares | 99.98% |
| Benton Finance Limited | The Aon Centre, The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AN, UK | Ordinary Shares | 100.00% |
| PT Aon Hewitt (Indonesia) | Energy Building 25th Floor, SCBS Lot 11A, Jenderal Sudirman Kav 52-53, Jakarta, Indonesia | Ordinary Shares | 99.00% |
| Benton Finance Ireland Limited | Metropolitan Building, James Joyce Street, Dublin 1, 662880, Ireland | Ordinary Shares | 100.00% |

Movements in investments

| | 2020 \$'000 | 2019 \$'000 |
|-----------------------------------|------------------------|------------------------|
| Investment in subsidiaries | | |
| Opening balance | 20,062 | 1,023,651 |
| Additions | 382,485 | 3,000 |
| Impairment | (3,810) | (1,006,589) |
| Disposal | (382,485) | - |
| Total | 16,252 | 20,062 |

On 15 October 2020, the Company formed a new subsidiary AFUK3L, and subscribed to 1 ordinary share with a nominal value of 1 CAD cent.

On 2 December 2020, the Company contributed \$107.4m (equivalent to CAD \$139.0m) to AFUK3L in exchange for a further 999 ordinary shares with nominal value each of 1 CAD cent, with the remainder recorded as share premium in CAD in AFUK3L.

On 8 December 2020, the Company formed a new subsidiary AFUK4L and subscribed to 1 ordinary share with a nominal value of 1 USD cent.

On 9 December 2020, AGP Pty purchased 779 shares in AFUK3L from the Company for \$84.7m (equivalent to CAD \$108.3m). On the same day, AFUK1 purchased 140 shares of AFUK3L from the Company for \$15.2m (equivalent to CAD \$19.4m). On the same day, ANZHL purchased 81 shares of AFUK3L from the Company for \$8.9m (equivalent to CAD \$11.4m). Overall these transactions resulted in a net foreign exchange gain on disposals of \$1.3m recognised in the Statement of profit or loss and other comprehensive income.

On 16 December 2020, the Company contributed \$275.0m to AFUK4L in exchange for further 274 ordinary shares with a nominal value each of 1 USD cent, with the remainder recorded as share premium in AFUK4L.

On 23 December 2020, AHI BV purchased 275 shares in AFUK4L from the Company for \$275.0m.

During the year the Company impaired its investments in Benton Finance Ireland Limited by \$0.1m, and Benton Finance Limited by \$3.7m due to a decrease in the subsidiaries' net assets due to dividends received from those subsidiaries.

Aon Overseas Holdings Limited
Notes to the financial statements
31 December 2020

17. Non-current assets - Other receivables

| | 2020 \$'000 | 2019 \$'000 |
|---|------------------|----------------|
| Amounts owed by fellow Group undertakings | 1,564,860 | 418,395 |
| Less: Allowance for expected credit loss on other receivables | <u>(2,035)</u> | <u>(1,655)</u> |
| | <u>1,562,825</u> | <u>416,740</u> |

The amounts owed by fellow Group undertakings are interest bearing and are due to be received after the next 12 months. These comprise the following loan notes:

- €86.0m issued by a fellow group undertaking, Aon Group Nederland B.V. with an interest rate of 2.95% and a maturity date of 14 May 2026.
- \$340.0m issued on 4 March 2020 by a fellow group undertaking, ADSL with an interest rate of 4.125% and a maturity date of 31 December 2023.
- \$1,120m issued on 30 March 2020 by a fellow group undertaking, AGI NV, with an interest rate of 5.0% and a maturity date of 29 March 2023.

18. Non-current assets - Deferred tax asset

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| <i>Deferred tax asset comprises temporary differences attributable to:</i> | | |
| Tax losses carried forward | <u>-</u> | <u>1,764</u> |
| Deferred tax asset | <u>-</u> | <u>1,764</u> |
| <i>Movements:</i> | | |
| Opening balance | 1,764 | 7,126 |
| Charged to profit or loss (note 11) | (1,915) | (5,826) |
| Impact of change in tax rates to the statement of profit or loss | <u>151</u> | <u>464</u> |
| Closing balance | <u>-</u> | <u>1,764</u> |

The Company has \$nil (2019: \$10,077,000) of unused tax losses carried forward at 31 December 2020.

19. Current liabilities - Trade and other payables

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Accruals | 24 | - |
| Amounts owed to fellow Group undertakings | 20 | 43 |
| Amounts owed to subsidiary undertakings | <u>142</u> | <u>142</u> |
| | <u>186</u> | <u>185</u> |

The amounts owed to fellow Group undertakings, amounts owed to subsidiary undertakings and amounts owed to the parent undertaking are not interest bearing and are due to be received within the next 12 months.

Aon Overseas Holdings Limited
Notes to the financial statements
31 December 2020

20. Current liabilities - Income tax payable

| | 2020 \$'000 | 2019 \$'000 |
|-------------------------|----------------|----------------|
| Corporation tax payable | <u>64</u> | <u>2,460</u> |

21. Equity - Share capital

| | 2020 Shares | 2019 Shares | 2020 \$'000 | 2019 \$'000 |
|------------------------------|----------------|----------------|----------------|----------------|
| Ordinary shares - fully paid | <u>40,102</u> | <u>40,002</u> | <u>40</u> | <u>40</u> |

All shares are allotted, issued and fully paid. These shares comprise of 40,101 ordinary shares of \$1 and 1 ordinary share of £1.

On 30 March 2020, the Company issued 100 ordinary shares of \$1.00 each to its sole shareholder, AGH plc for a cash consideration of \$518.4m.

22. Equity - Share premium account

| | 2020 \$'000 | 2019 \$'000 |
|-----------------------|----------------|----------------|
| Share premium account | <u>518,389</u> | <u>-</u> |

On 30 March 2020, the Company issued 100 ordinary shares of \$1.00 each to its sole shareholder, AGH plc for a cash consideration of \$518.4m resulting in share premium of \$518.4m.

23. Equity - Retained profits

| | 2020 \$'000 | 2019 \$'000 |
|--|------------------|------------------|
| Retained profits/(accumulated losses) at the beginning of the financial year | 1,484,299 | (76,384) |
| Profit after income tax charge for the year | 78,158 | 33,859 |
| Transfer from share premium reserve | - | 1,500,120 |
| Transfer from capital contribution reserve | <u>-</u> | <u>26,704</u> |
| Retained profits at the end of the financial year | <u>1,562,457</u> | <u>1,484,299</u> |

24. Equity - Dividends paid

There were no dividends paid, recommended or declared during the current or previous financial year.

Aon Overseas Holdings Limited
Notes to the financial statements
31 December 2020

25. Guarantees

The Group maintains multi-currency cash pools with third-party banks in which various Aon entities participate. As part of the Group'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 2020 include cash pool deposits of \$69.4m (2019: \$937.1m), 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.

26. Events after the reporting period

The intercompany loan note between the Company and Aon Holdings France SNC, issued on 27 June 2014, and maturing on 14 May 2021, was partially settled through a partial repayment of €51.0m plus the interest accrued until maturity of €12.4m, totalling €63.4m. The original loan was partially refinanced for €240.0m with a 5-year maturity date of 14 May 2026 and an interest rate of 4.25%.

No other matter or circumstance has arisen since 31 December 2020 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.

27. Controlling party

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

The ultimate parent undertaking and controlling party as at 31 December 2020 was Aon plc a company incorporated and registered in the Republic of Ireland.

Copies of the Group financial statements of Aon plc are available from the company's registered office at: Metropolitan Building, James Joyce Street, Dublin 1, D01 K0Y8, Ireland.