WILLIS LIMITED

(Registered Number 181116)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Directors

Executive Directors
AJC Rivers
DMA Samengo-Turner
JED Vickers
SE Wood
SP Hearn
PA Owens (appointed 10 January 2011)
N Perry (appointed 9 September 2011)
JJ Trotti (appointed 26 January 2012)

Non-executive Directors
Sir Jeremy Hanley
RP Baker-Bates (Chairman, appointed 5 August 2011)
D Paige (appointed 22 December 2011)

Secretary

A Peel (appointed 10 August 2011)

Registered Office

51 Lime Street
London EC3M 7DQ

Auditor

Deloitte LLP
London

WILLIS LIMITED

CONTENTS PAGE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

The Directors present their annual report, together with the audited financial statements and auditor's report, for the year ended 31 December 2011

Principal activities and review of developments

The Company is a subsidiary of Willis Group Holdings plc ('the Group') The Group is one of the world's leading professional service providers of risk management solutions, risk transfer expertise through insurance and reinsurance broking, and related specialised consultancy services

The Company is regulated by the Financial Services Authority ("FSA") and provides risk management, insurance and reinsurance broking services to clients in the UK and worldwide In addition to its presence in the UK retail and commercial markets, the Company's core specialty businesses include Aerospace, Energy, Marine, Construction, Financial and Executive Risks, Fine Art, Jewellery and Specie, Bloodstock, and Reinsurance

Business Review

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

	2011	2010	Movement	% Change
	$m	$m	$m	
Turnover	928	876	52	6%
Operating expenses	(701)	(704)	3	0%
Profit before tax	278	219	59	27%
Shareholders' funds	934	825	109	13%
Current Assets as % of Current Liabilities	115%	111%		
Average number of employees (note 4)	3,496	3,483		

In 2011, the Company's turnover was $928 million, a 6 percent increase on 2010 ($876 million) This increase was driven by a 4 percent increase in underlying brokerage and fees ($37 million), and a $21 million favourable impact from foreign exchange, partly offset by lower investment income The foreign exchange impact is driven by a stronger, on average, Pound Sterling and Euro through the year, in which the Company earns a significant proportion of its revenues, against the US dollar

Organic growth in Reinsurance in 2011 was led by growth in the Asia-Pacific book, and included the benefit of new business growth and a profitability initiative that may or may not recur Overall Reinsurance showed stable pricing with modest increases in some lines and geographies, particularly those affected by catastrophe losses

Organic growth in Global Specialties was led by strong contributions from Marine, Energy, Financial Solutions and Aerospace, reflecting good new business, high retention levels, targeted hiring of producer talent and connectivity between the retail network and specialty businesses However, the operating environment remains challenging across most Global Specialty businesses with depressed world trade and transit volumes, industry consolidation and pressure on financing of construction projects still evident

Willis Faber & Dumas reported positive organic commission and fee growth in 2011 reflecting increasing connectivity with the Willis Group distribution network

Organic commission and fees in our UK retail operations declined 2 percent in 2011 compared with the same period 2010, driven by the economic pressures that continue to affect the UK economy

Business Review (continued)

Operating expenses of $701 million were $3 million lower than in 2010 reflecting an $18 million increase in amortisation of incentive costs, a $36 million 2011 operational review charge partly offset by a $19 million decrease in foreign exchange costs and increased allocation of $39 million in expenses to the Group's international operations Underlying expenses were unchanged relative to 2010 with underlying cost increases through investments and salary increases offset by the benefit of the operational review

The incentive cost increase is driven mainly by the maturity of the Company's cash retention awards which are paid to employees and then amortised to the profit and loss account over a period of time (currently 3 years)

During the year, the Company conducted an operational review to better align our resources with our growth strategy This resulted in pre-tax charges of $36 million relating mainly to associate severance and redundancy costs The benefits before tax of the operational review were $13 million in 2011 with a further $13 million to be realised in 2012 for a total annualised benefit of $26 million

Profit before tax of $278 million was $59 million higher than 2010 reflecting the above movements in turnover and operating expenses (net $55 million), the impact of higher expected returns on pension fund net assets ($9 million), less the fall in interest expense of $2 million and one off proceeds on sale of a small book of business ($7 million) included in the 2010 results

Shareholders' funds grew by $109 million to $934 million reflecting after tax profits of $217 million and actuarial losses in the pension scheme The actuarial losses are primarily a result of lower discount rates increasing the value of the scheme liabilities The Directors review the adequacy of the Company's capital relative to the risks it faces on a regular basis

The $20 million revolving credit facility, taken out in 2010 and secured against the Company's real estate assets, has not been drawn upon during 2011 or 2010

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future For this reason they continue to adopt the going concern basis in preparing the financial statements Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements on page 14

Dividends

No interim dividend was paid in the year (2010 $nil) The Directors do not recommend the payment of a final dividend (2010 $nil)

Future Developments

The Company is a leading provider of risk management, insurance and reinsurance broking services to clients in the UK and worldwide These activities are expected to continue

To support the Company's growth, the Group is investing in the Willis Cause, as the embodiment of the Company's promise to our clients We believe that the Willis Cause will be an important differentiator for the Company in the years to come Its components are

- we thoroughly understand our clients' needs and their industries,
- we develop client solutions with the best markets, price and terms,
- we relentlessly deliver quality client service, and
- we get claims paid quickly

With integrity

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

Future Developments (continued)

The Group manages its operations on a divisional basis For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business The performance of the Group, which includes the Company, is discussed in the Group's financial statements which do not form part of this report

Details of significant events since the balance sheet date are contained in note 28 to the financial statements on page 36

Principal risks and uncertainties

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

The principal risks and uncertainties facing the Company are

Exposure to the Group

The Company is a wholly-owned subsidiary of the Group The Group is the third largest insurance broker in the world, is listed on the New York Stock Exchange and has net assets at 31 December 2011 of $2 5 billion

The Company is dependent upon its ultimate parent company and the Group for ongoing support in a wide range of areas The Group is also dependent upon the Company for its access to the London Market as well as the Company's development of employees for deployment around the Group

The Directors expect the support from the Group to continue for the foreseeable future

Exposure to the Eurozone

The credit and economic conditions within certain European Union countries, in particular, Greece, Ireland, Italy, Portugal and Spain, have continued to deteriorate and have contributed to the instability in the global credit and financial markets While the outcome of these events cannot be predicted, it is possible that such events could have a negative effect on the global economy as a whole, and the Company's business, operating results and financial condition If the European debt crisis continues or further deteriorates, there will likely be a negative effect on the Company's European business (which constitutes approximately 13 percent of the Company's business in terms of revenue), as well as the businesses of the Company's European clients If the Euro dissolved entirely, the legal and contractual consequences for holders of Euro-denominated obligations would be determined by laws in effect at such time A significant devaluation of the Euro would cause the value of the Company's financial assets that are denominated in Euros to be significantly reduced Any of these conditions could ultimately harm the Company's overall business, prospects, operating results, financial condition and cash flows

Economic Environment and Competition

The low level of growth in the UK economy reduces the volume of new clients to the UK insurance market As a result our competitors are being very aggressive on new business which places significant pressure on our employees to retain clients and revenue We expect the challenging economic circumstances and resulting competition will remain for the foreseeable future We mitigate the risk through our focus on service and product quality

People

The Company's people are often sought after by our competition We mitigate that risk through long-term incentives, cash retention awards, salary increases in 2012 and continuing training and development

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

Principal risks and uncertainties (continued)

Pension Risks

The Company's defined benefit pension scheme comprises assets of $2 354 billion and net liabilities of $2 180 billion as at 31 December 2011 The fund was closed to new members in January 2006 but continues to accrue future benefits for existing members A large proportion of the scheme assets are held in Pound Sterling denominated assets which gives exposure to potential currency risks as long as there is a surplus or deficit net asset position in the scheme Movements in various factors could result in significant fluctuations in the value of the future obligations under the scheme and the value of the scheme assets These factors include equity and bond market returns, inflation rates, mortality assumptions, potential regulatory and legal changes and counterparty exposure in investments

The Company maintains a proactive relationship with the Scheme Trustee with the objective of maintaining a sustainable and well funded scheme Whilst the UK GAAP net pension asset reported in the financial statements is $130 million, the actuarial valuation of the scheme performed on behalf of the Scheme Trustees as at 31 December 2011 shows a deficit of £206 million ($319 million)

Errors and Omissions Exposures

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

Regulatory and Legal Risk

The Company is subject to regulation from the FSA in relation to its insurance mediation activities The FSA has prescribed the methods by which the Company's insurance and reinsurance operations are to conduct business including the rules governing how the Company holds client assets The FSA has a wide range of rule-making, investigatory and enforcement powers aimed at meeting its overall aim of promoting efficient, orderly and fair markets and helping retail consumers achieve a fair deal

The Company's failure, or that of its employees, to satisfy the FSA that we are in compliance with their requirements or the legal requirements governing our activities, can result in disciplinary actions, fines, reputational damage and financial harm

The Company is also subject to rules and legislation governing money laundering, bribery and corruption and competition The Company has established its procedures to ensure that it is in compliance with these rules However, should the Company fail to comply with the requirements, this failure may result in disciplinary actions, fines, reputational damage and financial harm

To mitigate this risk the Company's legal, risk and compliance departments have established a framework to ensure compliance with all regulatory requirements which include detailed guidance on the standards to which employees must adhere Reviews and audits of compliance with this guidance are carried out on a regular basis by both compliance and internal audit

Liquidity Risk

Liquidity risk is the risk that the Company may not have sufficient cash available to meet its obligations as they fall due The Company assesses the potential scenarios in which this might take place and maintains significant cash and liquid funds to mitigate the risk In the ordinary course of business the Company can also rely on the Group's liquidity

Principal risks and uncertainties (continued)

Credit Risk

Credit risk is the risk that counterparties may not be able to repay amounts in full when due This risk arises in respect of amounts due from clients and insurers in respect of brokerage not yet received, funded claims and funded premiums It also arises in respect of its cash and investment holdings

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

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

Credit risk in respect of the Company's cash and investment holdings is mitigated by holding investments in entities with a suitable minimum credit rating and by limiting the amount which can be invested with a single issuer based upon each issuer's financial position

Interest Rate Risk

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

Currency Risk

The Company conducts its business in multiple currencies, primarily US dollars, Pound Sterling, Euro and Japanese Yen, and is therefore exposed to currency risk in relation to revenue and the value of its assets and liabilities The majority of this risk is mitigated through the matching of foreign currency assets and liabilities The Company also buys currency forward where there is a known future mismatch

Business Interruption Risk

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

The Company relies on information technology in the conduct of its business As a result, the Company is exposed to a number of areas of risk relating to IT resilience, including, but not limited to, adequacy of IT resources, cyber-attack, failure of third party supplier and adequacy of controls surrounding the provision of IT services

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

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

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

Environment

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

Employees

Details of the number of employees and related costs can be found in note 4 to the financial statements on page 20

The Company is committed to the participation and involvement of employees in the Company's business and to facilitating their personal development to its maximum potential

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

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

Directors

The current Directors of the Company are shown on page 1, which forms part of this report The following Directors were appointed PA Owens (10 January 2011), RP Baker-Bates (5 August 2011), N Perry (9 September 2011), D Paige (22 December 2011) and JJ Trotti (26 January 2012) DB Margrett and BJ McManus resigned on 10 August 2011 and 14 November 2011 respectively There were no other changes in Directors during the year or after the year end

Governance

The Board has undertaken a significant review of the governance of the Company since the appointment of the current Chairman in August 2011 This has included a review of the role of the Board composition and its Committees including the Audit and Risk Committees

Statement of Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws 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) 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 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

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

Statement of Directors' responsibilities in relation to the financial statements (continued)

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

Disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this report confirms that
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

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

Auditor

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

By Order of the Board

RP Baker-Bates
Director
51 Lime Street
London EC3M 7DQ

30 March 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILLIS LIMITED

We have audited the financial statements of Willis Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 28 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor
As explained more fully in the Statement of Directors' responsibilities in relation to the financial statements, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 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

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where 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

Mark McIlquham (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom
30 March 2012

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 $m	2010 $m
Brokerage and fees	2	**911**	853
Interest and investment income		**17**	23
Turnover		**928**	876
Operating expenses		**(701)**	(685)
Operating expenses – foreign exchange loss		**-**	(19)
Operating profit	3	**227**	172
Finance income, net	6	**51**	40
Proceeds from disposal of book of business		**-**	7
Profit on ordinary activities before taxation		**278**	219
Tax charge on profit on ordinary activities	7	**(61)**	(62)
Profit on ordinary activities after taxation		**217**	157

All activities derive from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 $m	2010 $m
Profit on ordinary activities after taxation	21	**217**	157
Actuarial (loss)/gain relating to the pension scheme	22	**(158)**	24
UK deferred tax attributable to actuarial loss/(gain)		**40**	(7)
UK deferred tax attributable to rate change on prior years actuarial losses		**(5)**	(3)
Net effects of exchange rates on pension movements	21	**1**	(6)
Net currency translation (loss)/gain on the UK retail business	21	**(1)**	1
Total recognised gains and losses for the financial year		**94**	166

BALANCE SHEET AS AT 31 DECEMBER 2011

	Note	2011 $m	2010 $m
Fixed assets			
Intangible assets - goodwill	8	**85**	98
Tangible assets	9	**20**	21
Investments	10	**3**	3
		108	122
Current assets			
Debtors			
Amounts falling due within one year	13	**659**	589
Amounts falling due after one year	13	**28**	28
		687	617
Fiduciary assets amounts falling due within one year	14	**3,625**	3,818
Deposits and cash held in fiduciary capacity	14	**887**	976
Deposits and cash		**187**	114
		5,386	5,525
Current liabilities			
Creditors amounts falling due within one year	16	**(163)**	(176)
Fiduciary liabilities amounts falling due within one year	17	**(4,512)**	(4,794)
		(4,675)	(4,970)
Net current assets		**711**	555
Total assets less current liabilities		**819**	677
Creditors amounts falling due after more than one year	18	**(6)**	(7)
Provisions for liabilities	19	**(9)**	(1)
Net assets excluding pension asset		**804**	669
Pension asset	22	**130**	156
Net assets		**934**	825
Capital and reserves			
Called up share capital	20	**153**	153
Profit and loss account	21	**781**	672
Shareholders' funds		**934**	825

The financial statements of Willis Limited, registered company number 181116, were approved by the Board of Directors and authorised for issue on 28 March 2012 and signed on its behalf by

N Perry
Director

MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2011

Movements in shareholders' funds	2011 $m	2010 $m
Profit on ordinary activities after taxation	**217**	157
Other recognised (losses)/gains for the financial year		
Actual return less expected return on pension scheme assets	**113**	103
Experience losses arising on pension scheme liabilities	**(43)**	-
Changes in assumptions underlying the present value of the pension scheme liabilities	**(228)**	(79)
UK deferred tax attributable to actuarial loss/(gain) and additional pension contribution	**40**	(7)
UK deferred tax attributable to rate change on prior years actuarial losses	**(5)**	(3)
Net effect of exchange rates on pension movements	**1**	(6)
Net currency translation gain on the UK retail business	**(1)**	1
Total other recognised (loss)/gain for the financial year	**(123)**	9
Share-based payments	**15**	17
Net movements in shareholders' funds for the year	**109**	183
Shareholders' funds at beginning of year	**825**	642
Shareholders' funds at end of year	**934**	825

1. Accounting policies

Basis of preparation

The principal accounting policies are summarised below They have all been applied consistently throughout the year and the preceding year

The financial statements have been prepared

- under the historical cost convention, and
- in accordance with applicable law and accounting standards in the United Kingdom

The Company's business activities and the factors likely to affect its future development and position are set out in the Business Review section of the Directors' Report The Company's financial projections indicate that it will generate positive cash flows on its own account for the foreseeable future The Company deposits its excess own cash funds with the Group's centralised treasury function and so shares banking arrangements with its parent and fellow subsidiaries

In accordance with their duties set out in the Financial Services and Markets Act and the FSA's 'Threshold Condition 4' the Directors have conducted enquiries into the nature and quality of the assets, liabilities, and cash that make up the Company's capital Furthermore the Directors' enquiries extend to the Company's relationship with the Group and external parties on a financial and non-financial level Having assessed the responses to their enquiries, the Directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Willis Group to continue as a going concern or its ability to repay loans due to the Company from time to time

As a consequence of the enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the accounts

Parent undertaking and controlling party

The Company's

- immediate parent company and controlling undertaking is Willis Faber Limited, and
- ultimate parent company is Willis Group Holdings plc, a company incorporated in Ireland and listed on the New York Stock Exchange

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

The largest and smallest group in which the results of the Company are consolidated is Willis Group Holdings plc, whose financial statements are available to members of the public from the Company Secretary, 51 Lime Street, London EC3M 7DQ

Revenue recognition

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

Brokerage income and fees negotiated in lieu of brokerage are recognised at the later of policy inception date or when the policy placement is complete Commissions on additional premiums and adjustments are recognised as and when advised

1. **Accounting policies (continued)**

Revenue recognition (continued)

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

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

Finance income

Interest receivable and interest payable are accounted for on an accruals basis

Foreign currency translation

The Company has two principal divisions

- Global, which comprises its Global Specialties, Willis Faber & Dumas and Reinsurance operations, and
- Retail, its retail and commercial operations in the United Kingdom

Global represents approximately three quarters of the Company's revenues and Retail approximately one quarter

These financial statements are presented in US dollars which is the currency of the primary economic environment in which the Company operates ('the functional currency')

All non-Retail business foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or, in the case of forward contracts in respect of current year income, at the contracted rate Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account

The Company's Retail division operates, and is accounted for, as a separate branch with a Sterling reporting currency Consequently, for the purposes of reporting the Retail division within the Company's financial statements, the results of the Retail branch are translated into US dollars at the average exchange rate for the period Translation gains or losses relating to the difference between translating Retails' results at average and closing rates and the translation at year end exchange rates of Retail's monetary assets and liabilities are recognised through reserves

Intangible assets – goodwill

Goodwill represents the difference between the fair value of the consideration paid for a business or book of business and the aggregate of the fair value of the identifiable assets and liabilities acquired

Goodwill is capitalised and amortised on a straight-line basis over its useful economic life, which is determined on the individual circumstances of each business acquired but limited to a maximum period of 20 years Goodwill is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable

1. **Accounting policies (continued)**

Tangible fixed assets

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

Freehold buildings	2 per cent per annum
Freehold land	Not depreciated

Expenditure for improvements is capitalised, repairs and maintenance are charged to expenses as incurred

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

Fixed asset investments

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

Current asset investments

Current asset investments are stated at the lower of cost and net realisable value

Fiduciary assets and fiduciary liabilities

The Company collects premiums from insureds and, after deducting its commissions, remits the premiums to the respective insurers, the Company also collects claims or refunds from insurers on behalf of insureds

Balances arising from insurance brokerage transactions are reported as separate assets or liabilities unless such balances are due to or from the same party and a right of offset exists, in which case the balances are recorded net

Fiduciary assets

Uncollected premiums from insureds and uncollected claims or refunds from insurers ('fiduciary debtors') are recorded as fiduciary assets on the Company's balance sheet In certain instances, the Company advances premiums, refunds or claims to insurance underwriters or insureds prior to collection Such advances are made from fiduciary funds and are reflected in the Company's balance sheet as fiduciary assets

Fiduciary liabilities

The obligations to remit these funds to insurers or insureds are recorded as fiduciary liabilities on the Company's balance sheet The period for which the Company holds such funds is dependent upon the date the insured remits the payment of the premium to the Company and the date the Company is required to forward such payment to the insurer

Deposits and Cash: held in fiduciary capacity ("fiduciary funds")

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

1 Accounting policies (continued)

Pension costs

The Company has a defined benefit pension scheme and a defined contribution pension scheme The defined benefit scheme was closed to new entrants in January 2006 New entrants are now offered the opportunity to join a defined contribution scheme

Defined benefit scheme

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

The Company's defined benefit scheme is funded, with the assets of the scheme held separately from those of the Company, in separate trustee-administered funds Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities The actuarial valuations are obtained at least triennially and are updated at each balance sheet date The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the Company's balance sheet

Current service costs and gains and losses on settlements and curtailments are charged to operating profit, net of the amounts borne by fellow subsidiary undertakings, and are included within staff costs within 'Operating expenses' The interest cost and the expected return on assets are charged as a net amount to 'Finance income, net'

Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses and are measured on an actuarial basis using the projected unit credit method and several actuarial assumptions The most significant of which are the discount rate and the expected long-term rate of return on plan assets Other material assumptions include rates of participant mortality, the expected rate of increase in salaries and pensions and rates of employee termination Gains and losses occur when the actual experience differs from actuarial assumptions and are recorded within the statement of total recognised gains and losses

Defined contribution scheme

A defined contribution scheme is a pension scheme under which the Company pays fixed contributions into a separate entity The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods

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

Share-based payments

The Company's ultimate parent company, Willis Group Holdings plc, issues equity-settled share-based payments to certain employees of the Company These equity-settled share-based payments are measured at fair value at the date of grant The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest

Fair value is measured by use of the Black-Scholes pricing model The expected life of options granted used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations

1. Accounting policies (continued)

Taxation

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

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more or less tax, at a future date, at rates expected to apply when they reverse based on current tax rates and law 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 financial statements Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

Derivative financial instruments

The Company uses derivative financial instruments for other than trading purposes to alter the risk profile of an existing underlying exposure Forward foreign currency exchange contracts are used to manage currency exposures arising from future income Gains or losses based on the contracted rate are recognised on maturity of the contract The Company does not use derivative financial instruments speculatively

Errors and omission provisions

Provisions comprise estimates for liabilities (net of anticipated recoveries from insurers) which may arise from actual and potential claims for errors and omissions

Post placement service provisions

Provisions comprise an estimate of future liabilities that could arise from claims work obliged to be undertaken through the Company's involvement in the placement of policies in this year and from prior years and is distinct from such activity taken on for client investment

Effective 31 December 2011, the Company changed the presentation of its post placement services provisioning on the balance sheet to increase transparency of the provision, the calculation methodology has not been altered The post placement provision, previously held in the revenue deferral creditor, is now reported as a separate category within the Provisions for liabilities note 19 (page 27)

Cash flow statement

Under FRS1 'Cash flow statements' the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the Company is a 90 percent or more owned subsidiary undertaking and the consolidated cash flow statement that is prepared at Group level is publicly available

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

2. Brokerage and fees

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

Brokerage and fees	2011 $m	2010 $m
United Kingdom	**300**	310
North America	**149**	130
Rest of the world	**462**	413
	911	853

No further segmental analysis has been provided as the Directors of the Company are of the opinion that the profit before taxation and the net assets of the business cannot be allocated between geographical areas on a meaningful basis In addition no further analysis of turnover between external and associated clients has been provided as the Directors of the Company are of the opinion that such analysis would not be meaningful

3. Operating profit	2011 $m	2010 $m
Operating profit is stated after charging		
Depreciation of owned tangible fixed assets	**1**	2
FSA regulatory settlement	**-**	11
Amortisation of goodwill	**13**	15
2011 Operational review charge	**36**	-
Current service cost of pension schemes		
- defined benefit scheme	**36**	36
- defined benefit scheme curtailment	**(10)**	-
- defined contribution scheme	**13**	10
Currency translation adjustments	**-**	19

The foreign exchange loss of $19 million in the year ended 31 December 2010 shown in the profit and loss account is mainly attributable to the fluctuation in the value of Pound Sterling to the US dollar and the Euro during the year in relation to intercompany assets and liabilities During the year ended 31 December 2011, overall there were minimal fluctuations between these currencies and consequently a negligible amount of foreign exchange was included in the profit and loss account The average to close foreign exchange differences were offset by hedging

The 2011 Operational review charge of $36 million in the year ended 31 December 2011 includes severance costs of $10 million

Auditor's remuneration of £540,000 ($866,000) (2010 £540,000 ($835,000)) was borne by another Group company

4 Employee costs	2011 $m	2010 $m
Salaries and incentives	**421**	393
Social security costs	**41**	37
Pension costs		
- defined benefit scheme	**36**	36
- defined benefit scheme curtailment	**(10)**	-
- defined contribution scheme	**13**	10
Gross employee costs	**501**	476
Amounts borne by fellow subsidiary undertakings	**(91)**	(65)
Net employee costs	**410**	411

Number of employees – average for the period	2011 Number	2010 Number
Producer	**680**	667
Client services	**1,797**	1,811
Management/administration services	**1,019**	1,005
	3,496	3,483

Cash retention awards

Willis Group Holdings plc (the 'Group') makes annual cash retention awards to its employees Employees must repay a proportionate amount of these awards if they voluntarily leave the Group's employ (other than in the event of retirement or permanent disability) before a certain time period, currently up to three years The Group makes cash payments to its employees in the year it grants these retention awards and recognises these payments rateably over the period they are subject to repayment, beginning in the quarter in which the award is made The unamortised portion of cash retention awards is recorded within retention awards

The following table sets out the amount of cash retention awards made and the related amortisation of those awards for the years ended 31 December 2011 and 2010

	2011 $m	2010 $m
Cash retention awards made	**72**	79
Amortisation of cash retention awards included in salaries	**65**	37

At 31 December 2011 unamortised cash retention awards totalled $68 million (2010 $61 million)

Pension costs for the defined benefit scheme include only those items included within operating expenses Further details of those items and those recorded in net finance charges and the statement of total recognised gains and losses are presented in note 22

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

4 Employee costs (continued)

A number of the Company's employees are seconded to other subsidiary undertakings within the Group The employment costs of those employees, including salaries, social security and pension costs, are borne and accounted for by those subsidiary undertakings The costs borne by those subsidiary undertakings increased from \$65 million in 2010 to \$91 million in 2011 The increase reflects the results of a review of the appropriateness of costs remaining in the Company

The Company recognised total expense in 2011 of \$15 million (2010 \$17 million expense) related to equity-settled share-based payment transactions to employees (these are included within salaries above) Further details are presented in note 27

5. Directors' remuneration	2011 \$000	2010 \$000
Emoluments, (excluding pension contributions, benefits and long-term incentive awards)	**8,508**	7,242
Benefits	**82**	77
Pension contributions	**542**	495
	9,132	7,814
Highest paid Director		
Emoluments, (excluding pension, contributions and long-term incentive awards)	**1,759**	1,825
Pension contributions	**44**	69
	1,803	1,894
Accrued annual defined benefit pension relating to highest paid Director	**56**	46

	2011 Number	2010 Number
Directors exercising share options	**2**	-
Directors receiving shares under long-term incentive plans	**6**	7
Directors eligible for defined benefit pension schemes	**5**	5

SP Hearn and N Perry are remunerated by other Group companies with no part of their remuneration allocated to the Company As such no disclosure of their remuneration has been made

The \$1 3 million increase in Directors' remuneration from \$7 8 million to \$9 1 million includes three factors \$0 3 million of foreign exchange impact as the majority of the remuneration is paid in Sterling, the addition of Directors throughout the year (\$0 5 million), and vesting of awards to Directors under the Group's long-term incentive plan (\$0 5 million)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

6 Finance income, net	2011 $m	2010 $m
Interest payable and similar charges		
Interest payable to Group undertakings	-	(1)
Bank loans and overdrafts	-	(1)
	-	(2)
Other finance income/(charges)		
Expected return on pension scheme assets (note 22)	155	140
Interest on pension scheme liabilities (note 22)	(104)	(98)
	51	42
Finance income, net	51	40

7. Tax on profit on ordinary activities	2011 $m	2010 $m
(a) Analysis of charge for the year		
Current tax:		
UK corporation tax on profit at 26 5% (2010 28%)	43	47
Adjustments in respect of prior periods	(3)	2
	40	49
Foreign tax	1	1
Total current tax (note 7(b))	41	50
Deferred tax.		
Origination and reversal of timing differences	20	12
Total deferred tax (note 15)	20	12
Tax on profit on ordinary activities	61	62

(b) Factors affecting current tax for the year

The tax assessed for the year is lower (2010 lower) than the standard rate of corporation tax in the UK (26 5%) (2010 28%) The differences are explained below

	2011 $m	2010 $m
Profit on ordinary activities before taxation	278	219
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26 5% (2010 28%)	73	61
Effects of		
Permanent differences (primarily goodwill amortisation and regulatory settlement)	5	8
Adjustment in respect of employee share benefit scheme	(4)	4
Timing difference on pension contributions	(31)	(25)
Adjustment in respect of prior periods	(3)	2
Other adjustment including effects of exchange rates	1	-
Total current tax charge for the year (note 7(a))	41	50

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

7. Tax on profit on ordinary activities (continued)

(c) Circumstances affecting current and future tax charges

The Government announced on 23 March 2011 that it intended to reduce the rate of UK corporation tax from 28% to 23% over four years Consequently the Finance Act 2011, which was substantively enacted on 19 July 2011, included provisions to reduce the rate of UK corporation tax to 26% with effect from 1 April 2011 and to 25% with effect from 1 April 2012 Accordingly, deferred tax balances have been revalued to reflect this change

On 21 March 2012, the Government proposed further legislation to reduce the rate of UK corporation tax to 24% with effect from 1 April 2012, 23% from 1 April 2013 and 22% from 1 April 2014 As these changes were not substantively enacted at the balance sheet date, their impact is not reflected in the tax provisions reported in these accounts

8 Intangible assets – goodwill	**2011 $m**
Cost or valuation	
1 January 2011 and 31 December 2011	**201**
Amortisation	
1 January 2011	103
Charge for the year	13
31 December 2011	**116**
Net book value 31 December 2011	**85**
Net book value 31 December 2010	98

9. Tangible fixed assets	**Freehold land and buildings $m**
Cost or valuation	
1 January 2011 and 31 December 2011	**23**
Depreciation	
1 January 2011	2
Provision for the year	1
31 December 2011	**3**
Net book value 31 December 2011	**20**
Net book value 31 December 2010	21

10. Investments held as fixed assets

	Subsidiary undertakings (note 11) \$m	Associate undertaking (note 12) \$m	Total \$m
Cost			
1 January 2011 and 31 December 2011	2	1	3

In the opinion of the Directors, the value of the shares in the subsidiary and associate undertaking is not less than the amount shown in the balance sheet

On 20 February 2012, the Company purchased Glencairn Holdings UK Limited for £22 million (\$35 million) (see note 28)

11. Shares in subsidiary undertakings

The principal subsidiary undertaking at 31 December 2011 was

	Percentage of share capital held	Class of share	Country of incorporation
Insurance Broking			
Special Contingency Risks Limited	100%	Ordinary of £1 each	United Kingdom

The Company is exempt from the obligation to prepare group financial statements in accordance with Section 400 of the Companies Act 2006 as the Company is a wholly-owned subsidiary of Willis Group Holdings plc, in whose financial statements it is consolidated These financial statements relate to the Company only and not to its Group

12. Shares in associate undertaking

The principal associate undertaking at 31 December 2011 was

	Percentage held	Country of incorporation
Insurance Broking		
Teesside Insurance Consultants Limited	25%	United Kingdom

The Company is exempt from the obligation to prepare group financial statements in accordance with Section 400 of the Companies Act 2006 as the Company is a wholly-owned subsidiary of Willis Group Holdings plc, in whose financial statements it is consolidated These financial statements relate to the Company only and not to its Group

13. Debtors	2011 $m	2010 $m
Amounts falling due within one year.		
Trade debtors	**188**	178
Amounts owed by Group undertakings	**345**	295
Other debtors	**2**	1
Prepayments and accrued income	**73**	56
Retention awards	**43**	45
Errors and omissions insurance recoverable	**-**	14
Deferred tax asset (note 15)	**8**	-
	659	589
Amounts falling due after more than one year·		
Trade debtors	**2**	2
Retention awards	**25**	16
Deferred tax asset (note 15)	**1**	10
	28	28
	687	617

14. Fiduciary assets, deposits and cash	2011 $m	2010 $m
Amounts falling due within one year:		
Trade debtors	**2,833**	3,068
Amounts owed by Group undertakings	**758**	706
Amounts owed by associate undertakings	**34**	44
	3,625	3,818
Deposits and cash held in fiduciary capacity	**887**	976
	4,512	4,794

Accrued interest on deposits and cash is recorded within prepayments and accrued income

15. Deferred tax	2011 $m	2010 $m
Deferred tax has been provided in full in respect of assets/liabilities arising from the following timing differences		
Included in debtors (note 13)	9	10
Included in pension asset (note 22)	(44)	(58)
	(35)	(48)
Deferred tax consists of		
Timing difference on pension asset	(44)	(58)
Timing difference on share-based payments	7	7
Timing difference on general provisions	2	3
	(35)	(48)
At 1 January	(48)	(25)
Deferred tax charge in profit and loss account (note 7(a))	(20)	(12)
Deferred tax credit/(charge) in statement of recognised gains and losses	35	(10)
Exchange adjustment	(2)	(1)
At 31 December	(35)	(48)

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

16. Creditors: amounts falling due within one year	2011 $m	2010 $m
Trade creditors	29	20
Amounts owed to Group undertakings	10	11
Amounts owed to Group undertakings in respect of group relief	43	46
Other creditors	5	14
Accruals and deferred income	76	85
	163	176

During 2010 the Company took out a $20 million revolving credit facility which remains undrawn as at 31 December 2011 (2010 undrawn) The facility is secured by mortgages over the Company's freehold properties

17. Fiduciary liabilities: amounts falling due within one year	2011 $m	2010 $m
Trade creditors	4,258	4,519
Amounts owed to Group undertakings	245	243
Amounts owed to associate undertakings	9	32
	4,512	4,794

18 Creditors amounts falling due after more than one year	2011 $m	2010 $m
Trade creditors	6	7

19. Provisions for liabilities	Post placement services $m	Claims and lawsuits $m	Total $m
1 January 2011	-	1	1
Additional provisions made	8	-	8
31 December 2011	8	1	9

Errors and omissions provision
The provision comprises estimates for liabilities that may arise from actual and potential claims and lawsuits for errors and omissions net of anticipated recoveries from the Company's insurers

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

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

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

20 Called up share capital	2011 $m	2010 $m
Allotted, called up and fully paid		
105,000,000 (2010 105,000,000) ordinary shares of £1 each	153	153

21. Profit and loss reserve

	Profit and loss account $m
1 January 2011	672
Profit on ordinary activities after taxation	217
Actuarial loss on the pension scheme (net of tax)	(118)
Pension STRGL UK deferred tax adjustment due to rate change	(5)
Net effect of exchange rate movements on pension	1
Net effect of exchange rate movements on Sterling functional unit	(1)
Share-based payments	15
31 December 2011	781

Net of pension asset	$m
Profit and loss reserve excluding pension asset	651
Amount relating to defined benefit pension scheme asset, net of related deferred tax (note 22)	130
Profit and loss reserve	781

22. Pensions

Defined Benefit Pension Scheme

The Company operates a defined benefit pension scheme in the UK on behalf of its employees and employees working for or seconded to other subsidiary companies of Willis Group Holdings plc This scheme was closed to new entrants in January 2006 A full actuarial valuation was carried out at 31 December 2010 and updated to 31 December 2011 by a qualified actuary The major assumptions used for the actuarial valuation were

	2011 %	2010 %	2009 %
Rate of increase in salaries	**2.1**	2 6	2 5
Rate of increase in pensions in payment (LPI 5%)	**3.1**	3 5	3 5
Rate of increase in pensions in payment (LPI 2 5%)[i]	**1.8**	2 2	2 4
Discount rate [ii]	**4.8**	5 5	5 8
Inflation assumption (RPI)	**3.1**	3 6	3 6
Inflation assumption (CPI)	**2.1**	2 8	-
Mortality [iii]	**90%/105% PNA00 for males/females, CMI 2011, 1% long-term improvement**	PNA00 YoB MC	PNA00 YoB MC

(i) Based on CPI inflation
(ii) Duration based methodology in 2011
(iii) PNA00 represents a mortality table, CMI represents assumed improvement in mortality

22. Pensions (continued)

Defined Benefit Pension Scheme (continued)

As an indication of longevity assumed, the Company's calculations assume that a UK male retiree aged 65 at 31 December 2011 would have a life expectancy of 24 years

Analysis of the amount charged to operating profit:	2011	2010
	$m	$m
Current service cost	36	36
Curtailments	(10)	-
	26	36

Analysis of the amount credited to net finance charges:	2011	2010
	$m	$m
Expected return on pension scheme assets	155	140
Interest on pension scheme liabilities	(104)	(98)
	51	42

Analysis of the actuarial (loss)/gain in the statement of total recognised gains and losses:	2011	2010
	$m	$m
Actual return less expected return on pension scheme assets	113	103
Experience gains and losses arising on the scheme liabilities	(43)	-
Changes in assumptions underlying the present value of the scheme liabilities	(228)	(79)
	(158)	24

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 is $589 million (2010 $431 million)

Analysis of amounts included in the balance sheet:	2011	2010
	$m	$m
Fair value of scheme assets	2,354	2,085
Present value of scheme liabilities	(2,180)	(1,871)
Surplus	174	214
Related deferred tax liability (note 15)	(44)	(58)
Net pension asset	130	156

22. Pensions (continued)

Defined Benefit Pension Scheme (continued)

Movements in fair value of scheme assets during the year:	2011	2010
	$m	$m
At 1 January	2,085	1,880
Expected return on pension scheme assets	155	140
Contributions from the Company	92	88
Contributions from the scheme members	2	2
Benefits paid	(72)	(73)
Actuarial gain	113	103
Exchange adjustments	(21)	(55)
At 31 December	2,354	2,085

Movements in present value of scheme liabilities during the year.	2011	2010
	$m	$m
At 1 January	1,871	1,780
Service cost	36	36
Interest cost	104	98
Contributions from the scheme members	2	2
Benefits paid	(72)	(73)
Settlements and curtailments	(10)	-
Actuarial loss	271	79
Exchange adjustments	(22)	(51)
At 31 December	2,180	1,871

Analysis of scheme assets and expected return·	Expected return		Fair value of assets	
	2011	2010	2011	2010
	%	%	$m	$m
Equity instruments	6 87	8 58	1,345	1,416
Debt instruments	2.47	4 18	681	540
Other	4 65	5 40	328	129
	5.60	7 20	2,354	2,085

The actual return on scheme assets for the year ended 31 December 2011 was a gain of $268 million (2010 gain of $238 million)

Where investments are held in bonds and cash, the expected long-term rate of return is taken to be the yields generally prevailing on such assets at the measurement date Expected returns on equities, hedge funds and property funds reflect the Company's view of a risk premium above long-term risk-free rates The overall expected long-term rate of return on assets is the average of these rates taking into account the actual assets held at the reporting date

During the year Settlements and Curtailments were $10 million These result from the completion of a review of the benefits payable in the Scheme which was completed and agreed with the Trustees during the year

22. Pensions (continued)

Defined Benefit Pension Scheme (continued)

History of experience of gains and losses:

	2011	2010	2009	2008	2007
	$m	$m	$m	$m	$m
Fair value of scheme assets	**2,354**	2,085	1,880	1,497	2,500
Present value of scheme liabilities	**(2,180)**	(1,871)	(1,780)	(1,364)	(2,050)
Surplus	**174**	214	100	133	450
Actual return less expected return on plan assets					
Amount ($m)	**113**	103	137	(761)	(83)
Percentage of scheme assets	**5%**	5%	7%	(51%)	(3%)
Experience gains and losses on scheme liabilities					
Amount ($m)	**(43)**	-	(3)	11	(16)
Percentage of the present value of the scheme liabilities	**(2%)**	0%	1%	1%	(1%)

The contribution paid by the Company for 2011 was £50 million ($80 million), £25 million per the regular funding agreement and a further £25 million for not having met funding targets The Company had agreed with the Trustee of the UK Pension Scheme that contributions would be £25 million per annum for 2009 and for a further five years In addition, as certain funding targets had not been met at the beginning of 2011, a further contribution of £25 million was required for 2011

In early 2012 the Company provisionally agreed a revised funding strategy with the UK plan's Trustee Under the proposed new funding strategy, for the six years ended 31 December 2017, the Company will make contributions equal to £50 million ($78 million) each year, excluding amounts in respect of the salary sacrifice scheme Furthermore, additional contributions become payable

- based on a share of the Group's EBITDA above a threshold of $900 million, and
- if we make exceptional returns to stockholders, including share buybacks

Whilst the proposed new funding strategy has not been formally signed at the date of this report, the Company expects this to occur in the first half of 2012

Defined Contribution Scheme

The Company has operated a defined contribution scheme for new entrants since 1 January 2006 The Company recognised an expense in 2011 of $13 million (2010 $10 million) representing contributions payable to the scheme

23. Forward sale of currency

The Company earns revenue in a number of different currencies, principally US dollars, Pound Sterling, Euros and Japanese Yen, but incurs expenses almost entirely in Pounds Sterling

The Company hedges the risk as follows

- To the extent that forecast Pound Sterling expenses exceed Pound Sterling revenues, the Group limits its exposure to this exchange rate risk by the use of forward contracts matched by specific, clearly identified cash outflows arising in the ordinary course of business, and

- The UK operations of the Group also earn significant revenues in Euros and Japanese Yen The exposure to changes in the exchange rate between the US dollar and these currencies is limited by the use of forward contracts matched to a percentage of forecast cash inflows in specific currencies and periods

The Company participates in the Group's risk management activities in relation to foreign exchange risk Forward contracts for the purchase/sale of foreign currencies are entered into by another subsidiary undertaking The Company then enters into back-to-back contracts with that subsidiary undertaking At 31 December 2011 the Company has entered into "back-to-back" forward contracts for the purchase/sale of foreign currencies in accordance with this policy The fair value of the forward contract assets were $11 million and for the liabilities were $11 million (2010 $16 million and $10 million respectively)

These forward contracts are summarised below

Contracts maturing:	Purchase GBP Mill/Rate to USD	Sale Euros Mill/Rate to USD	Sale JPY Mill/Rate to USD
1 January 2012 to 31 December 2012	100 0m/0 643	62 0m/0 719	2,250m/85 754
1 January 2013 to 31 December 2013	40 0m/0 635	31 0m/0 724	1,500m/81 892
1 January 2014 to 31 December 2014	10 0m/0 617	-	450m/78 332

24. Contingent liabilities

Claims, lawsuits and other proceedings

The Company is subject to various actual and potential claims, lawsuits and proceedings relating principally to alleged errors and omissions in connection with the placement of insurance and reinsurance in the ordinary course of business

Most of the claims, lawsuits and proceedings arising in the ordinary course of business are covered by professional indemnity or other appropriate insurance In respect of insurance deductibles the Company has established provisions against these items which are believed to be adequate in the light of current information and legal advice, and the Company adjusts such provisions from time to time according to developments On the basis of current information, the Company does not expect that the ultimate outcome of the actual claims, lawsuits and proceedings to which the Company is subject, or potential claims, lawsuits or proceedings, either individually or in the aggregate, will have a material adverse effect on the Company's financial condition, results of operations or liquidity

24 Contingent liabilities (continued)

Claims, lawsuits and other proceedings (continued)

As of 1 April 2011 Willis Ltd has been joined in its parent company's, Willis Group Holdings plc, ongoing litigation in the Federal Court in Texas with Stanford Financial Group The Company disputes any allegations and intends to defend itself vigorously against all actions The outcome of these actions, however, including losses or other payments that may occur as a result, cannot be predicted at this time and no provision has been made

25. Directors' interests in contracts

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

26. Related party transactions

During the year the Company transacted in the ordinary course of business brokerage with associated undertakings listed below Amounts owed by and to Group associated undertakings are disclosed in notes 14 and 17 These amounts all relate to trading

	2011	2010
	$m	$m
Gras Savoye SA	4	2
Willis India Insurance Brokers Private Limited	-	4
Willis (Malaysia) Sdn Bhd	-	1
Al Futtaim Willis LLC	2	2
Willis Saudi Arabia Company LLC	1	-
	7	9

FRS8 (paragraph 3(c)) exempts the reporting of transactions between group companies in the financial statements of companies that are wholly owned within the group The Company has taken advantage of this exemption There are no other transactions requiring disclosure

27. Share-based payments

Share-based Plans

On 31 December 2011, Willis Group Holdings plc, the ultimate parent company of Willis Limited, had a number of open share-based compensation plans, which provide for the grant of time-based and performance-based options, restricted stock units and various other share-based grants to employees of Willis Limited The objectives of these plans include attracting and retaining the best personnel, motivating management personnel by means of growth-related incentives to achieve long-range goals and providing employees with the opportunity to increase their share ownership in Willis Group Holdings plc

The Company recognised total operating expense in 2011 of $15 million (2010 $17 million) related to equity-settled share-based payment transactions

27. Share-based payments (continued)

2001 Share Purchase and Option Plan

This plan, which was established on 3 May 2001, provides for the granting of time-based options, restricted stock units and various other share-based grants at fair market value to employees of the Group There are 25,000,000 shares available for grant under this plan Options are exercisable on a variety of dates, including from the first, second, third, sixth or eighth anniversary of grant, although for certain options the exercisable date may accelerate depending on the achievement of certain performance goals The 2001 Plan (and all sub-plans) expired 10 years after the date of its adoption That termination will not affect the validity of any grant outstanding at that date

2008 Share Purchase and Option Plan

This plan, which was established on 23 April 2008, provides for the granting of time and performance based options, restricted stock units and various other share-based grants at fair market value to employees of the Group There are 8,000,000 shares available for grant under this plan Options are exercisable on a variety of dates, including from the third, fourth and fifth anniversary of grant Unless terminated sooner by the Board of Directors of Willis Group Holdings plc, the 2008 Plan will expire 10 years after its adoption That termination does not affect the validity of any grant outstanding at that date

Option Valuation Assumptions

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model that uses the assumptions noted in the following table Expected volatility is based on historical volatility of Willis Group Holdings plc's shares The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations The risk-free rate for periods within the expected life of the option is based on the U S Treasury yield curve in effect at the time of grant

	2011	2010
Weighted average share price	**$41.26**	$30 84
Weighted average exercise price	**$39.40**	$30 52
Expected volatility	**32%**	32%
Expected dividends	**2 5%**	3 4%
Expected life (years)	**5**	5
Risk-free interest rate	**2.15%**	2 27%

27 Share-based payments (continued)

A summary of option activity under the plans at 31 December 2011 and 2010, and changes during the years then ended is presented below

(Options in thousands)	2011 Number of options	2011 Weighted Average Exercise Price[1]	2010 Number of options	2010 Weighted Average Exercise Price[1]
Time-based options				
Outstanding at 1 January	5,600	$33.40	5,978	$33 26
Granted	133	$29.70	185	$29 04
Exercised	(603)	$31.43	(114)	$26 79
Forfeited	(266)	$33.80	(350)	$32 18
Expired	(88)	$31.92	(99)	$28 84
Outstanding at 31 December	4,776	$33.55	5,600	$33 40
Exercisable at 31 December	4,607	$33.77	3,743	$33 91
Performance-based options				
Outstanding at 1 January	3,869	$31.44	3,667	$31 50
Granted	629	$41.45	495	$31 08
Exercised	(55)	$29.51	-	-
Forfeited	(1,309)	$36.79	(293)	$31 51
Outstanding at 31 December	3,134	$31.25	3,869	$31 44
Exercisable at 31 December	2,644	$31.39	-	-

[1]Certain options are exercisable in Pounds Sterling and are converted to dollars using the exchange rate at 31 December 2011 or 2010, respectively

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2011 was $39 39

Details of the range of exercise prices and the weighted average contractual life of share options outstanding at 31 December 2011 are as follows

Range of exercise prices [1]	Options outstanding (thousands)	Weighted average remaining contractual life
$22 67 - $26 90	1,704	4 9 years
$27 22 - $28 90	1,018	5 4 years
$30 42 - $34 90	2,401	2 6 years
$35 07 - $39 96	1,747	3 4 years
$40 04 - $43 66	1,040	6 0 years
	7,910	4 1 years

[1]Certain options are exercisable in Pounds Sterling and are converted to dollars using the exchange rate at 31 December 2011 or 2010, respectively

27. Share-based payments (continued)

A summary of restricted stock unit activity under the plans at 31 December 2011, and changes during the year then ended is presented below

	Shares (thousands)	Weighted average grant date fair value
Non-vested shares (restricted stock units)		
Outstanding at 1 January 2011	494	$27 92
Granted	10	$40 31
Vested	(261)	$27 92
Lapsed	(2)	$26 33
Outstanding at 31 December 2011	241	$28 45

28 Events after the balance sheet date

On 20 February 2012, Glencairn Holdings UK Limited, a subsidiary undertaking of Willis Group Holdings plc, was purchased by the Company for £22 million ($35 million) Following this purchase the Company then sold its Facultative business for £60 million ($95 million) to Faber Global Limited (formerly 'Glencairn Limited'), a wholly owned subsidiary of Glencairn Holdings UK Limited Following the transaction the merged Faber Global Limited will handle all classes of business, including key specialisms in Property, Casualty, Accident & Health, and Cargo Clients will benefit from a global distribution network, class leading analytics, and seasoned traders in a global marketplace