WILLIS LIMITED

(Registered Number 181116)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

Directors

Executive Directors
DB Margrett (Chairman and Chief Executive)
BJ McManus
AJC Rivers
D Samengo-Turner
JED Vickers
SE Wood
Non-executive Directors
MP Chitty
Sir Jeremy Hanley
MR Rendle

Secretary

SK Bryant

Registered Office

51 Lime Street
London EC3M 7DQ

Auditors

Deloitte LLP
London

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

The Directors present their annual report, together with the audited financial statements, for the year ended 31 December 2009

Principal activities and review of developments

Business and market overview

The Company is a leading international insurance and reinsurance broker and is authorised by the Financial Services Authority ('FSA') for its insurance mediation activities. The Company is also a Lloyd's broker

The Company provides a broad range of insurance and consulting services to clients in the UK and worldwide In addition to its considerable 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 The Company has significant market share in many of these specialty areas, in particular Aerospace and Marine

The Company acts as an intermediary between its clients and insurance carriers by advising its clients on their risk management requirements, helping clients determine the best means of managing risk, and negotiating and placing insurance risk with insurance carriers through its global distribution network In assisting clients with the assessment of their risks the Company advises on the best ways of transferring risk to insurance and reinsurance markets and executes the transactions at the most appropriate available price, terms and conditions for its clients The Company's global distribution network enables it to place the risks in the most appropriate insurance or reinsurance markets worldwide

Competition is intense in all the Company's business lines and in all insurance markets The downward pressure on commission revenues from the soft market of recent years continued throughout 2009, with the premium rates on which the Company's commissions are generally based falling between 5 and 10 percent in many of the market sectors in which it operates

In the reinsurance market, the Company saw an improvement in market conditions during the first half of 2009 and more stable pricing Whilst reinsurance premium rates eased over the second half, this easing was relatively controlled This more stable reinsurance environment, together with noteworthy new business wins in many areas, enabled good growth in our Reinsurance division

Overall in 2009, the benefit of the increased stability in the reinsurance market and some specialty markets was more than offset by the continuing soft market conditions in other sectors and the adverse impact of the weakened economic environment across the globe Despite these challenging conditions, the Company generated a 2 percent increase in revenues at constant exchange rates

Shaping our Future

The Company continues to see benefits from the fourth year of its Shaping our Future strategy, which is a series of initiatives designed to deliver profitable growth In particular

- *Shaping our Future Retail*, a programme to ensure that the retail division of the Company can deliver industry leading products and services to clients, and
- *Client Profitability*, which analyses profitability by client account and/or portfolio and develops ways to enhance this

These initiatives have contributed to the 2009 growth in revenues at constant exchange rates Shaping our Future is now evolving from a series of projects into ongoing activities that are embedded in business units to become "business as usual"

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

Principal activities and review of developments (continued)

Funding for growth

In light of the current global economic uncertainty, the Company continues to vigorously manage its cost base in order to fund its growth initiatives Other funding for growth initiatives include talent management, location optimization and robust management of discretionary spending

Review of 2009

Up to 30 December 2009 the Company's ultimate parent company was Willis Group Holdings Limited, a company incorporated in Bermuda On 31 December 2009 the Willis Group effectively redomiciled its ultimate parent company to Ireland As a result Willis Group Holdings plc, a company incorporated in Ireland, replaced Willis Group Holdings Limited as the ultimate parent company

There have been no significant changes in the Company's principal activities in 2009 The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year

In 2009, the stabilization of rates in the reinsurance market was offset by the continuing soft market in other sectors and the adverse impact of the weakened economic environment across the globe

Brokerage and fees at $808 million, were $14 million, or 2 percent, lower than in 2008 which comprised

- a 7 per cent decrease due to foreign exchange movements,

  the Company earns a significant portion of its revenues in currencies other than the US dollar In 2009, brokerage and fees were adversely impacted by the year over year effect of foreign currency translation in particular due to the strengthening of the US dollar against the pound sterling and euro compared with 2008,

partly offset by

- a 5 percent increase in underlying business reflecting the benefit of 11 percent growth in Reinsurance and 3 per cent in Global Specialties

Operating expenses were $182 million, or 21 percent lower, in 2009 compared with 2008, which comprised

- a 10 percent reduction due to foreign exchange movements,

  reflecting year on year gains in translating the Company's predominantly sterling cost base into US dollars, together with lower losses from retranslating year end net sterling assets into dollars,

- a 5 percent reduction in the underlying cost base reflecting the benefit of cost saving initiatives

Finance income, net, in 2009 was $59 million, or 73 percent, lower than in 2008 of which $51 million related to the defined benefit pension scheme Lower 2009 opening pension assets following equity market falls in 2008, were only partly offset by lower interest on pension liabilities reflecting lower long term discount rates

Profit on ordinary activities after taxation amounted to $116 million (2008 $49 million), all of which has been carried to reserves No interim dividend was paid in the year (2008 $nil) The Directors do not recommend the payment of a final dividend (2008 $nil)

Principal activities and review of developments (continued)

Balance sheet

Net assets, including pension assets, were $642 million at 31 December 2009, $86 million or 15 percent higher than at 31 December 2008 The increase was mainly attributable to a $110 million increase in the Company's net assets, before pension assets, reflecting cash generated by operations that has been deposited with Group undertakings or third party banks This was offset by a $24 million reduction in the Company's defined benefit pension scheme asset which decreased from $96 million at 31 December 2008 to $72 million at 31 December 2009 Rising asset values in 2009 were insufficient to cover increased liabilities, primarily reflecting lower long term discount rates at 31 December 2009

As at 31 December, 2008, the Company had recognised provisions of $264 million, together with a related $264 million insurance recoverable, in connection with a reinsurance market dispute relating to personal accident excess of loss reinsurance for the years 1993 to 1998 The provisions relate to claims by two former clients of the Company which have subsequently been settled for $265 million These claims are discussed in detail in 'Note 20 – Reinsurance Market Dispute' The Directors received external legal advice that the settlements were covered by the Company's errors and omissions insurance During the course of 2009, the majority of the claims have been paid and $210 million of the insurance recoverable collected

Principal risks and uncertainties

Competitive pressure

Competitive pressure in the UK is a continuing risk for the Company, which could result in the Company losing clients, and as a consequence, revenues to competitors The Company manages this risk by delivering value to clients, creating the most appropriate remuneration structure, enhancing the sales process and its Client Advocacy program

Regulatory

The Company is subject to regulation from the FSA in respect of its mediation activities The FSA has prescribed the methods by which the Company's insurance and reinsurance operations are to conduct business, and 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 They generally conduct their regulatory functions through the establishment of net worth and other financial criteria Monitoring visits are carried out to assess the Company's compliance with regulatory requirements

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

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 staff must adhere to Reviews and audits of compliance with this guidance are carried out on a regular basis by both compliance and internal audit

Pensions

The Company has a significant funding obligation to its defined benefit pension scheme

A notable decline in the value of scheme investments that was not compensated for by a similar decline in scheme liabilities might lead to both a significant increase in the pension charge and in cash contributions to the scheme

Whilst the Company has taken action to manage its pension scheme liabilities by closing the scheme to new entrants and restricting final pensionable salaries, many of the factors that affect the size of any accounting surplus or deficit are outside the control of the Company These factors include, but are not limited to, the future performance of investment markets, interest and inflation rates, and further potential increases in life expectancy

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

Principal risks and uncertainties (continued)

Errors and omissions

The Company is subject to various actual and potential claims, lawsuits and other proceedings relating principally to alleged errors and omissions in connection with the placement of insurance and reinsurance in the ordinary course of business Because the Company often assists its clients with matters, including the placement of insurance coverage and the handling of related claims, involving substantial amounts of money, errors and omissions claims may arise which allege the Company's potential liability for all or part of the amounts in question Errors and omissions claims, lawsuits and other proceedings arising in the ordinary course of business are covered in part by professional indemnity or other appropriate insurance The terms of this insurance vary by policy year and self-insured risks have increased significantly in recent years The Company's business, results of operations, financial condition and liquidity may be adversely affected if in the future its insurance coverage proves to be inadequate or unavailable or there is an increase in liabilities for which it self-insures The Company's ability to obtain professional indemnity insurance in the amounts and with the deductibles it desires in the future may be adversely impacted by general developments in the market for such insurance or its own claims experience In addition, claims, lawsuits and other proceedings may harm our reputation or divert management resources away from operating our business

The Company's legal, risk and compliance departments seek to mitigate these risks by training staff in errors and omissions avoidance, operational controls and compliance policies Regular reviews and audits are undertaken to ensure compliance with these controls and requirements

Commission income

The Company derives most of its revenues from commission income and the Company does not determine the insurance premiums on which these commissions are based Premiums are cyclical in nature and may vary widely based on market conditions Where possible, the Company mitigates its exposure to this volatility by negotiating fee based remuneration based on the services provided

Foreign exchange

In its London market operations, the Company earns revenue in a number of different currencies, principally US dollars, pounds sterling, euros and Japanese yen, but incurs expenses almost entirely in pounds sterling

The Company hedges this risk as follows

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

- to the extent the London market operations earn significant revenues in euros and Japanese Yen, the Company limits its exposure to changes in the exchange rate between the US dollar and these currencies by the use of forward contracts matched to a percentage of forecast cash inflows in specific currencies and periods

Generally, it is the Company's policy to hedge at least 25 percent of the next 12 months' exposure in significant currencies The Company does not hedge exposures beyond three years

The Company is also exposed to foreign exchange risk on any net sterling asset or liability position in its London market operations Where this risk relates to short-term cash flows, the Company hedges all or part of the risk by forward purchases or sales

However, where the foreign exchange risk relates to any net sterling pension asset or liability, the Company does not hedge the risk Consequently, if the London market operations have a significant pension asset or liability, the Company may be exposed to accounting gains and losses if the US dollar and pounds sterling exchange rate changes However, the Company does hedge the pounds sterling contributions into the pension plan

Principal risks and uncertainties (continued)

Credit Risk

The Company's principal financial assets are bank balances and cash, trade and other receivables

The Company's credit risk is primarily attributable to its trade and intercompany receivables Amounts presented in the balance sheet are net of provisions for bad and doubtful debts An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows

The credit risk on liquid funds and derivative financial instruments is managed by diversifying the Company's counterparty risk across a range of banks and other financial institutions with high credit ratings These institutions are monitored on an ongoing basis for credit quality predominantly using information provided by credit rating agencies

Apart from its intercompany receivables, the Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers

Liquidity Risk

As part of the Willis Group, the Company benefits from a treasury function that uses a mixture of long-term debt and short-term facilities to ensure appropriate levels of cashflow are available Since the year end, the Company has put in place an overdraft facility of $20 million to minimise the potential risk of over dependence on the Willis Group for liquidity

Going concern review

The Company's principal activities, together with the factors likely to affect its future development and the principal risks and uncertainties which might impact its results, are set out above

The Company has considerable resources and continues to generate significant cash flows reflecting its long term relationships with both clients and the insurance markets Consequently, the Directors believe that the Company is well placed to manage its business and the inherent risks successfully despite the current uncertain economic outlook

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

Environment

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and has policies to minimise such impact that is caused by its 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 personal 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

Employees (continued)

It is the Company'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 The following served as Directors during the year

Executive Directors
DB Margrett
BJ McManus
PC Regan (resigned 19 February 2010)
AJC Rivers
D Samengo-Turner
JED Vickers
SE Wood
Non-executive Directors
MP Chitty
Sir Jeremy Hanley
MR Rendle

Other than PC Regan's resignation on 19 February 2010, there were no other changes to Directors during the year or after the year end

Statement of Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing their annual report and the financial statements in accordance with applicable law and regulations for each financial year 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) The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of its profit or loss for that period In preparing these financial statements, the Directors are required to

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to 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 auditors

Each current Director of the Company confirms that

- so far as he is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware, and
- he has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are 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

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

Auditors

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 auditors in the absence of an Annual General Meeting

By order of the Board

S K Bryant
Secretary
29 JUNE 2010

51 Lime Street
London EC3M 7DQ

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WILLIS LIMITED

We have audited the financial statements of Willis Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Movement in Shareholders' Funds and the related notes 1 to 24 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 auditors' 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 Auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit 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 (APB'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

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 2009 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

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

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 Auditors
London
United Kingdom
29. June . 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 $m	2008 $m
Brokerage and fees	2	**808**	822
Interest and investment income		**26**	43
Turnover		**834**	865
Operating expenses		**(643)**	(741)
Operating expenses – foreign exchange loss		**(28)**	(112)
Operating profit	3	**163**	12
Finance income, net	6	**22**	81
Profit on ordinary activities before taxation		**185**	93
Tax charge on profit on ordinary activities	7	**(69)**	(44)
Profit on ordinary activities after taxation		**116**	49

All activities derive from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 $m	2008 $m
Profit on ordinary activities after taxation	17	**116**	49
Actuarial loss relating to the pension scheme	18	**(68)**	(519)
UK deferred tax attributable to actuarial loss		**19**	145
Net effects of exchange rates on pension movements		**(20)**	57
Net currency translation gain/(loss) on the UK retail business		**23**	(24)
Total recognised gains/(losses) for the financial year		**70**	(292)

BALANCE SHEET AS AT 31 DECEMBER 2009

	Note	2009 $m	2008 $m
Fixed assets			
Intangible assets - goodwill	8	99	111
Investments	9	2	2
		101	113
Current assets			
Debtors			
Amounts falling due within one year	11	4,357	4,312
Amounts falling due after one year	11	14	36
		4,371	4,348
Deposits and cash		973	925
		5,344	5,273
Current liabilities			
Creditors amounts falling due within one year	13	(4,835)	(4,630)
Net current assets		509	643
Total assets less current liabilities		610	756
Creditors amounts falling due after more than one year	14	(23)	(23)
Provisions for liabilities	15	(17)	(273)
Net assets excluding pension asset		570	460
Pension asset		72	96
Net assets including pension asset		642	556
Capital and reserves			
Called up share capital	16	153	153
Profit and loss reserve	17	489	403
Shareholders' funds		642	556

The financial statements of Willis Limited, registered company number 181116, were approved by the Board of Directors and authorised for issue on 29 June 2010 and signed on its behalf by

DB Margrett
Chairman and Chief Executive

MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2009

Movement in shareholders' funds	**2009 $m**	2008 $m
Profit on ordinary activities after taxation	**116**	49
Actual return less expected return on pension scheme assets	**137**	(761)
Experience (losses)/gains arising on pension scheme liabilities	**(3)**	11
Changes in assumptions underlying the present value of pension scheme liabilities	**(202)**	231
UK deferred tax attributable to actuarial loss and additional pension contribution	**19**	145
Net effect of exchange rates on pension movements	**(20)**	57
Net currency translation gain/(loss) on the UK retail business	**23**	(24)
Total other recognised losses for the financial year	**(46)**	(341)
Share-based payments	**16**	15
Net movement in shareholders' funds for the year	**86**	(277)
Shareholders' funds at beginning of year	**556**	833
Shareholders' funds at end of year	**642**	556

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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

After making 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

Up to 30 December 2009 the Company's ultimate parent company was Willis Group Holdings Limited, a company incorporated in Bermuda. On 31 December 2009 the Willis Group effectively redomiciled its ultimate parent company to Ireland As a result Willis Group Holdings plc, a company incorporated in Ireland, replaced Willis Group Holdings Limited as the ultimate parent company

In accordance with Section 401 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 or online at www willis com

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 instead of brokerage are recognised at the later of policy inception date or when the policy placement is complete Revenue is deferred if necessary for any post placement obligations Commissions on additional premiums and adjustments are recognised as and when advised

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

1. Accounting policies (continued)

Finance income / charges

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 specialty and reinsurance operations, and
- Retail, its retail and commercial operations in the United Kingdom and Ireland

Global represents approximately two thirds of the Company's revenues and Retail approximately 25 percent

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 and 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

Fixed asset investments

Investments in subsidiaries are carried at cost less provision for impairment

Insurance broking debtors and creditors

Insurance brokers act as agents in placing insurable risks of their clients with insurers and, as such, generally are not liable as principals for amounts arising from such transactions Notwithstanding the legal relationships with clients and insurers, market practice is for insurance brokers to retain investment income on any cash flows arising from insurance broking transactions

1. **Accounting policies (continued)**

Insurance broking debtors and creditors (continued)

Debit and credit balances arising from insurance broking transactions are generally reported as separate assets or liabilities Such balances are aggregated into a single net balance if due to or from the same party and the offset would survive the insolvency of that party

Funds held in connection with insurance broking transactions are generally required to be held in regulated bank accounts and are generally not available for purposes other than settling insurance broking transactions

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

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 Willis Limited'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

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

1. Accounting policies (continued)

Share-based payments (continued)

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

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

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 a consolidated cash flow statement is prepared at Group level

2. Turnover

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	2009 $m	2008 $m
United Kingdom	323	348
North America	126	111
Rest of the world	359	363
	808	822

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

3 Operating profit	2009 $m	2008 $m
Operating profit is stated after charging/(crediting)		
Amortisation of goodwill	**12**	12
Current service cost of pension schemes		
- defined benefit scheme	**28**	35
- defined contribution scheme	**7**	4
Curtailment gain on defined benefit scheme	**-**	(33)
Currency translation adjustments	**28**	112

The foreign exchange loss of $28 million (2008 loss of $112 million) shown in the profit and loss account is mainly attributable to the fluctuation in the value of the US dollar to the pound sterling and the euro during the year in relation to intercompany assets and liabilities

Auditors' remuneration of £540,000 ($845,000) (2008 £540,000, ($1,000,000)) was borne by another Group company

4. Employee costs	2009 $m	2008 $m
Salaries	**389**	389
Social security costs	**37**	31
Pension costs		
- defined benefit scheme	**28**	2
- defined contribution scheme	**7**	4
	461	426
Amounts borne by fellow subsidiary undertakings	**(60)**	(26)
	401	400

Number of employees – average for the period	2009 Number	2008 Number
Producer	**626**	637
Client services	**1,817**	1,839
Management / administration services	**1,001**	1,025
	3,444	3,501

In 2009, the Company launched Willis Choice which gives its employees the option to reduce working hours or take sabbaticals, to achieve a greater work-life balance

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 18 With effect from April 2009, the Company offered employees an alternative basis on which to fund contributions into the UK pension plans, called Salary Plus Employees can now agree to sacrifice an amount of their salary and in return the Company makes an additional pension contribution on their behalf, equivalent to the value of the salary sacrificed From a payroll tax perspective, this is a more efficient method of making pension contributions

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 Company recognised total expense in 2009 of $16 million (2008 $15 million expense) related to equity-settled share-based payment transactions to employees (these are included within salaries above) Further details are presented in note 23

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

5 Directors' remuneration	2009 $000	2008 $000
Emoluments, (excluding pension contributions, benefits and long term incentive awards)	6,616	5,646
Benefits	123	143
Pension contributions	592	585
	7,331	6,374
Highest paid Director		
Emoluments, (excluding pension contributions and long term incentive awards)	1,215	1,021
Pension contributions	93	82
	1,308	1,103
Accrued annual defined pension	13	9

The highest paid director did not exercise any share options in the year

	2009 Number	2008 Number
Directors exercising share options	1	2
Directors receiving shares under long term incentive plans	-	-
Directors eligible for defined benefit pension schemes	6	9

6. Finance income, net	2009 $m	2008 $m
Interest and investment income		
Interest (payable)/receivable to/from Group undertakings, net	(1)	11
Other interest receivable	4	-
	3	11
Other finance income/(charges)		
Expected return on pension scheme assets (note 18)	114	182
Interest on pension scheme liabilities (note 18)	(95)	(112)
	19	70
Finance income, net	22	81

7 Tax charge on profit on ordinary activities	2009 $m	2008 $m
(a) Analysis of charge for the year		
Current tax:		
UK corporation tax on profit at 28% (2008 28 5%)	26	(7)
Adjustments in respect of prior periods	1	1
Foreign tax	1	1
Total current tax charge/(credit) on profit on ordinary activities (note 7(b))	28	(5)
Deferred tax:		
Origination and reversal of timing differences	41	51
Adjustments to the estimated recoverable amount of deferred tax arising in previous periods	-	(2)
Total deferred tax charge on profit on ordinary activities (note 12)	41	49
Tax charge on profit on ordinary activities	69	44

(b) Factors affecting tax charge for the year

The current tax assessed for the year is lower (2008 lower) than the standard rate of corporation tax in the UK (28%) (2008 28 5%) The differences are explained below

	2009 $m	2008 $m
Profit on ordinary activities before taxation	185	93
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 28 5%)	52	27
Effects of		
Permanent differences (primarily goodwill amortisation)	5	4
Adjustment in respect of employee share benefit schemes	3	(2)
Timing differences on general provisions	-	(2)
Timing difference on pension contributions	(22)	(58)
Other including effects of exchange rates	-	3
Tax losses arising in period	-	22
Adjustments in respect of prior periods	1	1
2008 tax losses utilised against 2009 profit	(11)	-
Total current tax charge/(credit) for the year (note 7(a))	28	(5)

(c) Circumstances affecting current and future tax charges

Following the Finance Act 2007, the UK corporation tax rate changed from 30% to 28% on 1 April 2008

8. Intangible assets – goodwill	**2009 $m**
Cost or valuation	
1 January 2009 and 31 December 2009	187
Amortisation	
1 January 2009	76
Charge for the year	12
31 December 2009	88
Net book value 31 December 2009	99
Net book value 31 December 2008	111

9. Investments held as fixed assets	**Subsidiary undertaking $m**
Cost and net book value	
1 January 2009 and 31 December 2009	2

Investments held as fixed assets comprise the Company's investment in 100% of the ordinary share capital of Special Contingency Risks Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

10. Shares in subsidiary undertakings

The principal subsidiary undertaking at 31 December 2009 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 401 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

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

11 Debtors	2009 $m	2008 $m
Amounts falling due within one year:		
Trade debtors	**3,067**	2,981
Amounts owed by Group undertakings	**1,107**	928
Amounts owed by Group associate undertakings	**56**	51
Corporation tax	**-**	30
Other debtors	**3**	4
Prepayments and accrued income	**70**	54
Errors and omissions insurance recoverable (note 15)	**54**	264
	4,357	4,312
Amounts falling due after more than one year:		
Amounts owed by Group undertakings	**11**	6
Deferred tax asset (note 12)	**3**	30
	14	36
	4,371	4,348

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

12. Deferred tax	2009 $m	2008 $m
Deferred tax has been provided in full in respect of assets/liabilities arising from the following timing differences:		
Included in debtors (note 11)	3	30
Included in pension asset (note 18)	(28)	(37)
	(25)	(7)
Deferred tax consists of.		
Timing difference on pension contributions	-	11
Timing difference on pension asset	(28)	(37)
Timing difference on share-based payments	2	2
Tax losses carried forward	-	17
Timing difference on general provisions	1	-
	(25)	(7)
At 1 January	(7)	(87)
Deferred tax charge in profit and loss account (note 7(a))	(41)	(49)
Deferred tax credit in statement of recognised gains and losses	19	124
Exchange adjustment	4	5
At 31 December	(25)	(7)

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 future profits of fellow UK Group companies

13. Creditors: amounts falling due within one year	2009 $m	2008 $m
Trade creditors	4,187	4,028
Amounts owed to Group undertakings	516	522
Amounts owed to Group associated undertakings	18	6
Corporation tax	26	-
Other creditors	4	13
Accruals and deferred income	84	61
	4,835	4,630

14. Creditors: amounts falling due after more than one year	2009 $m	2008 $m
Amounts owed to Group associated undertakings	23	23

15. Provisions for liabilities	Errors and omissions $m
1 January 2009	273
Charged to profit and loss account	5
Utilised in the year	(261)
31 December 2009	17

Errors and omissions provision

The provision comprises estimates for liabilities that may arise from actual and potential claims for errors and omissions As at 1 January, 2009, the Company had recognised provisions of $264 million, together with a related $264 million insurance recoverable, in connection with a reinsurance market dispute relating to personal accident excess of loss reinsurance for the years 1993 to 1998 The provisions relate to claims by two former clients of the Company which have subsequently been settled for $265 million These claims are discussed in detail in 'Note 20 – Reinsurance Market Dispute' The Directors received external legal advice that the settlements were covered by the Company's errors and omissions insurance During the course of 2009, the majority of the claims have been paid and $210 million of the insurance recoverable collected

16. Called up share capital	2009 Number (million)	2008 Number (million)
Authorised share capital		
Ordinary shares of £1 each	105	105

	2009 $m	2008 $m
Allotted, called up and fully paid		
105,000,000 (2008 105,000,000) ordinary shares of £1 each	153	153

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

17. Profit and loss reserve	**$m**
1 January 2009	403
Profit on ordinary activities after taxation	116
Actuarial loss relating to the pension scheme (net of deferred tax)	(49)
Net effect of exchange rates on pension movements	(20)
Share-based payments (note 23)	16
Net currency translation gain on the UK retail business	23
31 December 2009	489
Net of pension asset	
Profit and loss reserve excluding pension asset	417
Amount relating to defined benefit pension scheme asset, net of related deferred tax (note 18)	72
Profit and loss reserve	489

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

18 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 2007 and updated to 31 December 2009 by a qualified actuary The major assumptions used for the actuarial valuation were

	2009 %	2008 %	2007 %
Rate of increase in salaries	**2.5**	3 5	4 3
Rate of increase in pensions in payment (LPI 5%)	**3.5**	3 0	3 2
Rate of increase in pensions in payment (LPI 2 5%)	**2 4**	2 3	2 3
Discount rate	**5.8**	6 5	5 9
Inflation assumption	**3 6**	3 0	3 3
Mortality (1)	**PNA00 YoB MC**	PNA00 YoB MC	PA92 +2 Yob MC

(1) PNA00 represents a mortality table, YoB is year of birth and MC is medium cohort

As an indication of longevity assumed, the Company's calculations assume that a UK male retiree aged 65 at 31 December 2009 would have a life expectancy of 22 years

Analysis of the amount charged to operating profit	2009 $m	2008 $m
Current service cost	**28**	35
Curtailment gain	**-**	(33)
	28	2

Analysis of the amount credited to net finance charges	2009 $m	2008 $m
Expected return on pension scheme assets	**114**	182
Interest on pension scheme liabilities	**(95)**	(112)
	19	70

Analysis of the actuarial loss in the statement of total recognised gains and losses	2009 $m	2008 $m
Actual return less expected return on pension scheme assets	**137**	(761)
Experience gains and losses arising on the scheme liabilities	**(3)**	11
Changes in assumptions underlying the present value of the scheme liabilities	**(202)**	231
	(68)	(519)

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 is $455 million (2008 $387 million)

18. Pensions (continued)

Analysis of amounts included in the balance sheet:	2009 $m	2008 $m
Fair value of scheme assets	1,880	1,497
Present value of scheme liabilities	(1,780)	(1,364)
Surplus	100	133
Related deferred tax liability	(28)	(37)
Net pension asset	72	96

Movements in fair value of scheme assets during the year:	2009 $m	2008 $m
At 1 January	1,497	2,500
Expected return on pension scheme assets	114	182
Contributions from the Company	47	140
Contributions from the scheme members	4	14
Benefits paid	(62)	(73)
Actuarial gain/(loss)	137	(761)
Exchange adjustments	143	(505)
At 31 December	1,880	1,497

Movements in present value of scheme liabilities during the year:	2009 $m	2008 $m
At 1 January	1,364	2,050
Service cost	28	35
Interest cost	95	112
Contributions from the scheme members	4	14
Benefits paid	(62)	(73)
Actuarial loss/(gain)	205	(242)
Curtailment gain	-	(33)
Exchange adjustments	146	(499)
At 31 December	1,780	1,364

Analysis of scheme assets and expected return.	Expected return		Fair value of assets	
	2009 %	2008 %	2009 $m	2008 $m
Equity instruments	8.85	8 35	1,350	1,033
Debt instruments	4.65	4 20	448	414
Other	5 80	5 20	82	50
	7 10	7 10	1,880	1,497

The actual return on scheme assets for the year ended 31 December 2009 was a gain of $251 million (2008 loss of $579 million)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

18. Pensions (continued)

With effect from April 2009, the Company offered employees an alternative basis on which to fund contributions into the UK pension plans Employees can now agree to sacrifice an amount of their salary and in return the Company makes additional pension contributions on their behalf, equivalent to the salary sacrificed From a payroll tax perspective, this is a more efficient method of making pension contributions As a result of this change, the Company made additional pension contributions of $8 million, with a marginally higher savings in salaries and payroll taxes

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

History of experience of gains and losses

	2009	2008	2007	2006	2005
	$m	$m	$m	$m	$m
Fair value of scheme assets	**1,880**	1,497	2,500	2,267	1,671
Present value of scheme liabilities	**(1,780)**	(1,364)	(2,050)	(2,056)	(1,818)
Surplus/(deficit)	**100**	133	450	211	(147)
Actual return less expected return on plan assets					
Amount ($ m)	**137**	(761)	(83)	(2)	184
Percentage of scheme assets	**7%**	(51%)	(3%)	-	11%
Experience gains and losses on scheme liabilities					
Amount ($ m)	**(3)**	11	(16)	-	15
Percentage of the present value of the scheme liabilities	**1%**	1%	(1%)	-	1%

The contribution paid by the Company for 2009 was £30 million ($47 million) The Company has agreed with the Trustee of the UK Pension Scheme that contributions will be £25 million per annum for 2009 and for a further five years In addition, as certain funding targets have not been met at the beginning of 2010, a further contribution of £25 million is required for 2010 A similar, additional contribution may also be required for 2011, depending on actual performance against funding targets at the beginning of 2011

Salary Plus was introduced in 2009 and is the offer to all employees of an alternative basis on which to fund contributions into the UK pension plans Employees can now agree to sacrifice an amount of their salary and in return the Company makes an additional pension contribution on their behalf, equivalent to the value of the salary sacrificed From a payroll tax perspective, this is a more efficient method of making pension contributions

Defined Contribution Scheme

The Company has operated a defined contribution scheme for new entrants since 1 January 2006 The Company recognised an expense in 2009 of $7 million (2008 $4 million) representing contributions payable to the scheme

19. Forward sale of currency

The Company's London market operations earn brokerage and fees in a number of different currencies, principally US dollars, pounds sterling, euros and Japanese yen, but incur expenses almost entirely in pounds sterling These risks are hedged as follows

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

- To the extent that significant revenues are earned in euros and Japanese yen, the Company limits its exposure to changes in the exchange rate between the US dollar and these currencies by the use of forward contracts matched to a percentage of forecast cash inflows in specific currencies and periods

Generally it is Company policy to hedge at least 25 percent of the next 12 month's exposure in significant currencies The Company has forward contracts that are not included at fair value in the financial statements At 31 December 2009, the fair value of these forward contracts was a gain of $15 million (2008 loss $85 million) The forward contracts are summarised below

	Purchases	**Sales**	**Sales**
Contracts maturing between	GBP (millions/average rate to USD)	Euros (millions/average rate to USD)	Japanese Yen (millions/average rate to USD)
1 January 2010 to 31 December 2010	95/1 772	59/1 423	2350/97 03
1 January 2011 to 31 December 2011	40/1 572	45/1 406	1900/92 89
1 January 2012 to 31 December 2012	20/1 518	27/1 421	950/88 73
1 January 2013 to 31 December 2013	-	-	200/83 95

20. Contingent liabilities

The Company has given guarantees and indemnities to bankers and other third parties amounting to $113,000 (2008 $113,000)

Claims, Lawsuits and Other Proceedings

The Company has extensive international operations and 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

20. Contingent liabilities (continued)

Reinsurance Market Dispute

Various legal proceedings are pending, have concluded or may commence between reinsurers, reinsureds and in some cases their intermediaries, including reinsurance brokers, relating to personal accident excess of loss reinsurance for the years 1993 to 1998 The proceedings principally concern allegations by reinsurers that they have sustained substantial losses due to an alleged abnormal 'spiral' in the market in which the reinsurance contracts were placed, the existence and nature of which, as well as other information, was not disclosed to them by the reinsureds or their reinsurance broker A 'spiral' is a market term for a situation in which reinsureds and reinsurers reinsure each other with the effect that the same loss or portion of that loss moves through the market multiple times

The reinsurers concerned have taken the position that, despite their decisions to underwrite risks or a group of risks, they are no longer bound by their reinsurance contracts As a result, they have stopped settling claims and are seeking to recover claims already paid The Company also understands that there have been at least two arbitration awards in relation to a 'spiral', among other things, in which the reinsurer successfully argued that it was no longer bound by parts of its reinsurance program The Company acted as the reinsurance broker or otherwise as intermediary, but not as an underwriter, for numerous personal accident reinsurance contracts, including two contracts that were involved in one of the arbitrations Due to the small number of reinsurance brokers generally, the Company also utilized other brokers active in this market as sub-agents, including brokers who are parties to the legal proceedings described above, for certain contracts and may be responsible for any errors and omissions they may have made In July 2003, one of the reinsurers received a judgment in the English High Court against certain parties, including a sub-broker the Company used to place two of the contracts involved in this trial Although neither the Company nor any of its subsidiaries were a party to this proceeding or any arbitration, the Company entered into tolling agreements with certain of the principals to the reinsurance contracts tolling the statute of limitations pending the outcome of proceedings between the reinsureds and reinsurers

Two former clients of the Company, American Reliable Insurance Company and one of its associated companies (collectively, 'ARIC'), and CNA Insurance Company Limited and two of its associated companies ('CNA') terminated their respective tolling agreements with the Company and commenced litigation in September 2007 and January 2008, respectively, in the English Commercial Court against the Company ARIC alleged conspiracy between a former employee of the Company and the ARIC underwriter as well as negligence and CNA alleged deceit and negligence by the same employee both in connection with placements of personal accident reinsurance in the excess of loss market in London and elsewhere ARIC asserted a claim of approximately $257 million (plus unspecified interest and costs) On June 9, 2009, the Company entered into a settlement agreement pursuant to which the Company agreed to pay a total of $139 million to ARIC in two installments All installments have been paid by the Company Each party has also released and waived all claims it may have against any of the other parties arising out of or in connection with the subject matter of the litigation The settlement includes no admission of wrongdoing by any party The $139 million required to fund the settlement agreement was covered by errors and omissions insurance

On September 11, 2009, the Company entered into a settlement agreement pursuant to which the Company agreed to pay a total of $130 million to CNA in two instalments which were paid in 2009 Each party has also released and waived all claims it may have against any of the other parties arising out of or in connection with the subject-matter of the litigation The settlement includes no admission of wrongdoing by any party The Company has partially collected and believes it will collect in full the $130 million required to fund the settlement agreement from errors and omissions insurers

Various arbitrations relating to reinsurance continue to be active and from time to time the principals request co-operation from the Company and suggest that claims may be asserted against the Company Such claims may be made against the Company if reinsurers do not pay claims on policies issued by them The Company cannot predict at this time whether any such claims will be made or the damages that may be alleged

21 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

22. Related party transactions

During the year the Company earned brokerage on transactions with associated undertakings listed below Amounts owed by and to Group associated undertakings are disclosed in notes 11, 13 and 14 These amounts all relate to trading

	2009	2008
	$m	$m
Gras Savoye SA	5	5
Willis India Insurance Brokers Private Limited	3	2
Willis (Malaysia) Sdn Bhd	2	2
Al Futtaim Willis LLC	2	2
	12	11

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

23. Share based payments

Share-based Plans

On 31 December 2009, Willis Group Holdings plc, the ultimate parent company of Willis Limited, had the following plans which provide for the grant of time-based options and performance-based options 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 2009 of $16 million (2008 $15 million) related to equity-settled share-based payment transactions

Amended and Restated 1998 Share Purchase and Option Plan

This plan, which was established on 18 December 1998, provides for the granting of time-based and performance-based options to employees of the Group There are 30,000,000 shares available for grant under this plan All options granted under this plan are exercisable at £2 per share ($3 22 using the year-end exchange rate of £1 = $1 61) No further grants are to be made under this plan which expired on 18 December 2008 Outstanding grants will not be affected

Time-based options are earned upon the fulfilment of vesting requirements which have been satisfied and all options are exercisable

Performance-based options became exercisable from 1 January 2003, following the achievement of financial targets (as defined in the plan agreements) All options are exercisable

Willis Award Plan

This plan, which was established on 13 July 2000 will expire on 13 July 2010 It provides for the granting of time-based options to selected employees who have been identified as superior performers There are 5,000,000 shares available for grant under this plan provided, however, that in no event the total number of shares subject to options and other equity for current and future participants exceed 25 percent of the equity of Willis Group Holdings plc on a fully diluted basis

All options granted under this plan are exercisable at £2 per share ($3 22 using the year-end exchange rate of £1 = $1 61) The options vest immediately on the grant date and are exercisable any time up to 13 July 2010

2001 Share Purchase and Option Plan

This plan, which was established on 3 May 2001, provides for the granting of time-based options 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 Unless terminated sooner by the Board of Directors of Willis Group Holdings plc, the 2001 Plan will expire 10 years after 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 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 will not affect the validity of any grant outstanding at that date

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

23. Share based payments (continued)

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

	2009	2008
Weighted average share price	**$25.99**	$35 11
Weighted average exercise price	**$25 69**	$35 11
Expected volatility	**32%**	30%
Expected dividends	**3 9%**	2 5%
Expected life (years)	**5**	5
Risk-free interest rate	**3.08%**	4 09%

A summary of option activity under the plans at 31 December 2009 and 2008, and changes during the years then ended is presented below

	2009		2008	
(Options in thousands)	**Number of options**	**Weighted Average Exercise Price[(1)]**	Number of options	Weighted Average Exercise Price[(1)]
Time-based options				
Outstanding at 1 January	**6,915**	**$33.89**	7,518	$33 24
Granted	**447**	**$25.37**	635	$31 40
Exercised	**(100)**	**$4.63**	(181)	$7 39
Forfeited	**(1,165)**	**$36.29**	(1,021)	$33 79
Expired	**(119)**	**$29.85**	(36)	$28 51
Outstanding at 31 December	**5,978**	**$33.35**	6,915	$33 69
Exercisable at 31 December	**3,257**	**$33 67**	2,786	$33 40
Performance-based options				
Outstanding at 1 January	**1,923**	**$36 36**	-	-
Granted	**1,774**	**$26.32**	1,923	$36 36
Forfeited	**(30)**	**$37 06**	-	-
Outstanding at 31 December	**3,667**	**$31.50**	1,923	$36 36
Exercisable at 31 December	**-**	**-**	-	-

(1) Certain options are exercisable in pounds sterling and are converted to dollars using the exchange rate at 31 December 2009 or 2008 respectively

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

23. Share based payments (continued)

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2009 was $26 82

Details of the range of exercise prices and the weighted average contractual life of share options outstanding at 31 December 2009 are as follows

Range of exercise prices [1]	Options outstanding (thousands)	Weighted average remaining contractual life
$3 22	3	1 year
$13 50	13	1 year
$23 32 - $28 26	2,896	6 years
$30 75 - $34 90	3,222	5 years
$35 58 - $39 96	2,966	5 years
$40 03 - $43 66	545	6 years
	9,645	5 years

(1) Certain options are exercisable in pounds sterling and are converted to dollars using the exchange rate at 31 December 2009 or 2008, respectively

A summary of restricted stock unit activity under the plans at 31 December 2009, 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 2009	432	$35 66
Granted	604	$25 93
Vested	(174)	$36 16
Forfeited	(13)	$35 25
Outstanding at 31 December 2009	849	$28 64

24. Events after the balance sheet date

On 29 January 2010 the Company acquired two freehold properties from Willis Group Services Limited, a fellow Group undertaking, in an arm's length transaction for consideration of £15 million, the agreed market value