WILLIS GROUP LIMITED

(Registered Number 621757)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Directors

SE Wood
S Hearn (appointed 1 January 2012)

Secretary

AC Peel (appointed 3 September 2012)

Registered Office

51 Lime Street
London EC3M 7DQ

Auditor

Deloitte LLP
London

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The Directors present their annual report, together with the audited financial statements, for the year ended 31 December 2012

Principal activities and review of developments

The Company acts as a holding company and 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

There have been no significant changes in the Company's principal activities in 2012 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

On 30 March 2012 the Company became a guarantor, with certain fellow subsidiary undertakings of Willis Group Holdings plc and Willis Group Holdings plc itself, of a schedule of contributions agreed with the UK pension scheme Trustee Further details are shown in note 19 to the financial statements on pages 17-18

In June 2012 the Company closed out its legacy interest rate swap contract positions Further details are shown in note 18 to the financial statements on page 17

On 11 July 2012 the Company executed a Letter of Comfort in favour of JPMorgan Chase Bank (China) Company Limited, Shanghai Branch for its subsidiary Willis Insurance Brokers Co , Ltd in Shanghai in relation to a RMB15 million working capital loan facility agreement

Results

The profit on ordinary activities after taxation amounted to $285 million (2011 $156 million) as shown in the profit and loss account on page 6 The increase in profit of $129 million is attributable to

- $616 million increase in dividends received from the Company's subsidiaries, and
- $23 million decrease in tax charge for the year,

partly offset by

- $82 million increase in operating expenses, relating to shareholder costs reallocated from Willis Group Services Limited,
- $398 million write down in the cost of investment in Willis UK Investments, a subsidiary undertaking, and
- $30 million adverse movement on foreign exchange

Dividends received in 2012 were part of a series of transactions whereby a number of Group undertakings paid dividends and repaid intercompany loans

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 9

Dividends

Interim dividends of $282 million and $381 million were paid on 15 March 2012 and 11 July 2012 respectively (2011 $47 million on 18 April 2011) The Directors do not recommend the payment of a final dividend (2011 $nil)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

Principal activities and review of developments (continued)

Balance sheet

The balance sheet on page 7 of the financial statements shows the Company's financial position at the year end Net assets have decreased by $378 million mainly as a result of

- $398 million write down in the cost of investment in a subsidiary undertaking, and
- $14 million decrease in the net intercompany debtor balance,

partly offset by

- $28 million decrease in group relief creditor

During the year the Company capitalised additional costs in respect of WillPLACE, software that has been developed to provide an innovational tool to better serve the demands and needs of the Group's clients The software will be used by the Company's indirect trading subsidiary undertakings

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

Principal risks and uncertainties

The Company has intercompany balances with fellow Group undertakings in currencies other than US dollars, its functional currency, and is therefore exposed to movements in exchange rates The Group's treasury function takes out contracts to manage this risk at a Group level

The Company is potentially exposed to credit risk from its investments in its subsidiary undertakings An impairment allowance would be made if there were to be an identified loss event which would evidence a potential reduction in the recoverability of the cash flows

This Company is also exposed to additional risks by virtue of being part of the wider Group, including those relating to the current Eurozone situation These risks have been discussed in the Group's financial statements which do not form part of this report

Environment

The Group recognises the importance of its environmental responsibilities and 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

The Company employed no staff during the year (2011 none)

Directors

The current Directors of the Company are shown on page 1, which forms part of this report J Plumeri resigned as Director of the Company on 26 January 2012 S Hearn was appointed with effect from 1 January 2012 There were no other changes in Directors during the year or after the year end

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

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 law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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

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 the 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 they ought to have taken as a Director in order to make themselves 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

SE Wood
Director
51 Lime Street
London EC3M 7DQ

25 June 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILLIS GROUP LIMITED

We have audited the financial statements of Willis Group Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 20 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 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 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 2012 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

David Rush (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom
25 June 2013

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 $m	2011 $m
Turnover	2	**778**	162
Operating expenses		**(82)**	-
Operating (expenses)/income – foreign exchange (loss)/gain		**(1)**	29
Operating profit	3	**695**	191
Amounts written off fixed asset investment	6	**(398)**	-
Profit on ordinary activities before taxation		**297**	191
Tax charge on profit on ordinary activities	7	**(12)**	(35)
Profit on ordinary activities after taxation		**285**	156

All activities derive from continuing operations

There are no recognised gains or losses in either 2012 or 2011 other than the profit for those years

BALANCE SHEET AS AT 31 DECEMBER 2012

	Notes	2012 $m	2011 $m
Fixed assets			
Tangible assets	9	**11**	4
Investments	10	**1,411**	1,809
		1,422	1,813
Current assets			
Debtors amounts falling due within one year	12	**746**	693
Current liabilities			
Creditors amounts falling due within one year	13	**(78)**	(38)
Net current assets		**668**	655
Total assets less current liabilities		**2,090**	2,468
Creditors amounts falling due after more than one year	14	**(5)**	(5)
Net assets		**2,085**	2,463
Capital and reserves			
Called up share capital	15	**108**	108
Share premium	16	**1,394**	1,394
Revaluation reserve	16	**381**	381
Profit and loss account	16	**202**	580
Shareholders' funds		**2,085**	2,463

The financial statements of Willis Group Limited, registered company number 621757, were approved by the Board of Directors and authorised for issue on 25 June 2013 and signed on its behalf by

SE Wood
Director

MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2012

Movements in shareholders' funds	Note	2012 £m	2011 £m
Profit on ordinary activities after taxation		**285**	156
Dividends paid	8	**(663)**	(47)
Net movement in shareholders' funds for the year		**(378)**	109
Shareholders' funds at beginning of year		**2,463**	2,354
Shareholders' funds at end of year		**2,085**	2,463

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1. Accountıng polıcıes

Basıs of preparatıon

The prıncıpal accountıng polıcıes are summarısed below They have all been applıed consıstently throughout the year and the precedıng year

The fınancıal statements have been prepared

- under the hıstorıcal cost conventıon, and
- ın accordance wıth applıcable law and accountıng standards ın the Unıted Kıngdom

After makıng enquırıes, the Dırectors have a reasonable expectatıon that the Company has adequate resources to contınue ın operatıonal exıstence for the foreseeable future The expectatıon ıs based on the followıng reasons

- the Company ıs an ıntermedıate holdıng company wıthın the Wıllıs Group and ındırectly owns substantıally all of the tradıng companıes ın the Wıllıs Group,
- the Company has net current assets of $668 mıllıon (2011 $655 mıllıon), and
- the Dırectors belıeve the Wıllıs Group ıs a goıng concern

For these reasons, the Dırectors contınue to adopt the goıng concern basıs ın preparıng the accounts

Parent undertakıng and controlling party

The Company's

- ımmedıate parent company and controllıng undertakıng ıs Trınıty Acquısıtıon plc, and
- ultımate parent company ıs Wıllıs Group Holdıngs plc, a company ıncorporated ın Ireland

In accordance wıth Sectıon 400 of the Companıes Act 2006, the Company ıs exempt from the requırement to produce group fınancıal statements

The largest and smallest group ın whıch the results of the Company are consolıdated ıs Wıllıs Group Holdıngs plc, whose fınancıal statements are avaılable to members of the publıc from the Company Secretary, 51 Lıme Street, London EC3M 7DQ

Revenue recognıtıon

Revenue ıncludes royaltıes receıved from subsıdıary companıes and ıs recognısed as earned

Fınal dıvıdend ıncome from subsıdıary undertakıngs ıs recognısed when the subsıdıary undertakıng has a legally bındıng oblıgatıon to make the dıstrıbutıon Interım dıvıdend ıncome from subsıdıary undertakıngs ıs accounted for on a receıvable basıs

Foreıgn currency translatıon

These fınancıal statements are presented ın US dollars whıch ıs the currency of the prımary economıc envıronment ın whıch the Company operates (the 'functıonal currency')

Foreıgn currency transactıons are translated ınto the functıonal currency usıng the exchange rates prevaılıng at the dates of the transactıons or, ın the case of forward contracts ın respect of current year ıncome, at the contracted rate Foreıgn exchange gaıns and losses resultıng from the settlement of such transactıons and from the translatıon at year end exchange rates of monetary assets and lıabılıtıes denomınated ın foreıgn currencıes are recognısed ın the profit and loss account

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

1. Accountıng polıcıes (contınued)

Tangıble fixed assets

Tangıble fixed assets are stated at cost, net of depreciatıon and any provısıon for ımpaırment Depreciatıon ıs calculated on a straıght lıne basıs to wrıte off the cost of such assets over theır estımated useful economıc lıves as follows

Software	Over 5 years

Expendıture for ımprovements ıs capıtalısed, repaırs and maıntenance are charged to expenses as ıncurred

Tangıble fixed assets are revıewed for ımpaırment when events or changes ın cırcumstance ındıcate that the carryıng amount may not be recoverable Any ımpaırment ın the value of tangıble fixed assets ıs charged to the profit and loss account ın the perıod ın whıch the ımpaırment occurs

Fıxed asset ınvestments

Investments ın subsıdıarıes are carrıed at cost less provısıon for ımpaırment, wıth the exceptıon of the ınvestment ın Wıllıs North Amerıca Inc whıch ıs held at Dırectors' valuatıon Further detaıls of thıs valuatıon are shown ın note 10 to the accounts

Taxation

Current tax ıs provıded at amounts expected to be paıd or recovered usıng the tax rates and laws that have been enacted or substantıvely enacted by the balance sheet date

Cash flow statement

Under FRS1 'Cash flow statements' the Company ıs exempt from the requırement to prepare a cash flow statement on the grounds that the Company ıs a 90 per cent or more owned subsıdıary undertakıng and the consolıdated cash flow statement that ıs prepared at Group level ıs publıcly avaılable

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

2. Turnover

Turnover comprises royalty fees from subsidiary undertakings and income from shares in subsidiary undertakings The table below analyses turnover by the accounting address of the subsidiary from whom it is derived Royalty fees are attributable to continuing operations

	2012 $m	2011 $m
Royalty fees		
United Kingdom	43	42
North America	64	64
Rest of the world	15	15
	122	121
Income from shares in subsidiary undertakings		
United Kingdom	656	41
	778	162

3. Operating profit

	2012 $m	2011 $m
Operating profit is stated after charging/(crediting)		
Depreciation of tangible fixed assets		
Owned	1	-
Currency translation adjustments	1	(29)

Auditor's remuneration of £10,400 ($16,480) (2011 £10,400 ($16,680)) was borne by another Group company

4. Employee costs

The Company employed no staff during the year (2011 none)

5. Directors' remuneration

The Directors of the Company received no remuneration for services rendered to the Company during the year (2011 $nil)

6. Amounts written off fixed asset investment

	2012 $m	2011 $m
Amounts written off fixed asset investment	398	-

During 2012 the Company wrote down its cost of investment in Willis UK Investments, a subsidiary undertaking, after that undertaking had transferred its main asset to the Company by way of a dividend

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

7. Tax on profit on ordinary activities	2012 $m	2011 $m
(a) Analysis of charge for the year		
Current tax·		
UK corporation tax on profit at 24 5% (2011 26 5%)	**12**	38
Adjustments in respect of prior periods	**-**	(3)
Total current tax (note 7(b))	**12**	35
(b) Factors affecting current tax for the year		
The tax assessed for the year is lower (2011 lower) than the standard rate of corporation tax in the UK (24 5%) (2011 26 5%) The differences are explained below		
Profit on ordinary activities before taxation	**297**	191
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24 5% (2010 26 5%)	**73**	51
Effects of		
Intra-group dividends which are non-taxable	**(161)**	(11)
Amounts not deductible for tax	**97**	-
Other including effect of exchange rates	**3**	(2)
Adjustments to tax charge in respect of prior years	**-**	(3)
Total current tax charge for the year (note 7(a))	**12**	35

The Company has carried forward capital losses of £108 million ($168 million) as at 31 December 2012 A deferred tax asset of £25 million ($41 million) (2011 £27 million ($44 million)) has not been recognised in respect of these losses on the basis that it is highly unlikely the Company will be able to use them in the foreseeable future

(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 5 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

On 21 March 2012, the Government proposed further legislation to reduce the rate of UK corporation tax to 22% by 2014 Consequently, the Finance Act 2012 which was substantively enacted on 3 July 2012, included provisions to reduce the rate of UK corporation tax to 24% with effect from 1 April 2012 and 23% from 1 April 2013 The rate reduction to 23% had been substantively enacted prior to 31 December 2012 and therefore has been reflected in the financial statements

The Government has subsequently proposed that from 1 April 2014 the rate will be 21% rather than the previously announced 22% and that the rate will be further reduced to 20% from 1 April 2015 These changes to the main tax rate have not been substantively enacted at the Balance Sheet date, and, therefore, are not included in these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

8. Dividends paid	2012 $m	2011 $m
First interim paid 15 March 2012 (2011 18 April 2011)	282	47
Second interim paid 11 July 2012	381	-
	663	47

9. Tangible fixed assets

	Computer software $m
Cost or valuation	
1 January 2012	4
Additions	8
31 December 2012	12
Depreciation	
1 January 2012	-
Provision for the year	1
31 December 2012	1
Net book value 31 December 2012	11
Net book value 31 December 2011	4

During the year the Company capitalised additional costs for the software WillPLACE This was developed to provide an innovational tool to better serve the demands and needs of the Group's clients The software will be used by the Company's indirect trading subsidiary undertakings and was launched in 2012

10. Investments held as fixed assets

	Subsidiary undertakings $m
Cost	
1 January 2012 and 31 December 2012	1,819
Provisions	
1 January 2012	(10)
Profit and loss charge (i)	(398)
31 December 2012	(408)
Net book value 31 December 2012	**1,411**
Net book value 31 December 2011	1,809

(i) During the year the Company wrote down its cost of investment in Willis UK Investments by $398 million

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

Investment in Willis North America Inc

In 1998 the Board of Directors determined the fair value of Willis North America Inc when the Company was acquired by Kohlberg Kravis Roberts & Co L P The Company revalued its investment by $381 million and increased its revaluation reserve

The 1998 Directors' valuation used net present value techniques supported by an analysis of revenue multiples and price/earnings ratios, including comparison with appropriate benchmarks

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

11. Shares in subsidiary undertakings

The principal subsidiary undertakings at 31 December 2012 were

	Percentage of share capital held	Class of share	Country of incorporation
Insurance Broking			
Willis Limited	100%	Ordinary of £1 each	United Kingdom
Willis Insurance Brokers Co , Ltd *	90%	Ordinary of RMB 1 each	China
Holding Company			
Willis North America Inc *	100%	Common	USA
Willis Faber Limited *	100%	Ordinary of £1 each	United Kingdom
Willis International Limited	100%	Ordinary of £1 each	United Kingdom
Willis Europe BV	100%	Ordinary of €454 each	Netherlands
Willis UK Investments *	100%	Ordinary of $1 each	United Kingdom
Management Services Company			
Willis Group Services Limited	100%	Ordinary of £1 each	United Kingdom

* Owned directly by Willis Group Limited, all other undertakings are indirectly held All undertakings operate principally in the country of their incorporation

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. Debtors

	2012 $m	2011 $m
Amounts falling due within one year		
Amounts owed by Group undertakings	745	691
Prepayments and accrued income	1	2
	746	693

During the year Group undertakings repaid a total of $503 million to the Company and the Company lent $557 million to its parent company, Trinity Acquisition plc

13. Creditors: amounts falling due within one year

	2012 $m	2011 $m
Amounts owed to Group undertakings	68	-
Amounts owed to Group undertaking in respect of UK corporation tax group relief	10	38
	78	38

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

14. Creditors: amounts falling due after more than one year	2012 $m	2011 $m
Other creditors	5	5

The amount due after more than one year represents deferred consideration due on the Company's increased investment in Willis Insurance Brokers Co Ltd, a direct subsidiary of the Company registered in China, payable on 1 June 2014

15 Called up share capital	2012 $m	2011 $m
Allotted, called up and fully paid		
482,048,597 (2011 482,048,597) ordinary shares of 12 5 pence each	98	98
10,000,000 (2011 10,000,000) ordinary shares of $1 each	10	10
	108	108

16. Reserves and shareholders' funds	Share capital $m	Share premium $m	Revaluation reserve $m	Profit and loss account $m	Total $m
1 January 2012	108	1,394	381	580	2,463
Profit on ordinary activities after taxation	-	-	-	285	285
Dividends paid	-	-	-	(663)	(663)
31 December 2012	108	1,394	381	202	2,085

The revaluation reserve arose as the result of the Directors' valuation of the Company's investment in Willis North America Inc Further details of this valuation are shown in note 9 to the accounts

17. Forward sale of currency

In our London market operations, we earn revenue in a number of different currencies, principally US dollars, Pound Sterling, Euros and Japanese Yen, but incur operating expenses predominantly in Pounds Sterling The Group is also exposed to currency risk arising from cross border intercompany lending

We hedge the risk as follows

- To the extent that forecast pound sterling expenses exceed pound sterling revenues, the Group limits its exposure to this currency risk by the use of forward FX 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 currency exposure between the US dollar and these currencies is mitigated by the use of forward FX contracts matched to a forecast cash inflows in the respective currencies and periods

Significant currency risk arising from cross border lending in tradable currencies is mitigated by the use of forward FX contracts to offset the underlying risk position

At 31 December 2012 the Company has outstanding forward FX contracts for the purchase / sale of foreign currencies in accordance with this policy The net fair value of the forward contracts is $nil (2011 $nil)

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 2013 to 31 December 2013	105 0m/0 63	40 0m/1 36	1,750m/81 72
1 January 2014 to 31 December 2014	55 0m/0 62	-	800m/79 02

18 Interest rate swaps

The Group receives cash for premiums and claims which it deposits in short-term investments denominated in US dollars and other currencies, the Group earns interest on these funds, which is included in the Group's financial statements as investment income These funds are regulated in terms of access and the instruments in which they may be invested, most of which are short-term in maturity In order to manage interest rate risk arising from these financial assets, the Company entered into interest rate swaps to receive a fixed rate of interest and pay a variable rate of interest in the various currencies related to the short-term investments

In the fourth quarter 2011, the Company stopped renewing its interest rate swap contracts on their maturity given the current flat yield curve environment Further to this, during June 2012, the Company closed out its legacy position for these swap contracts and has subsequently recognised cash proceeds of $16 million

The nominal value of the interest rate swap contracts at 31 December 2012 was $nil (2011 $1,124 million) The contracts in 2011 had fixed interest payments at an average rate of 2 39% for periods up to 2015 and floating interest receipts at an average rate of 1 04%

As at 31 December 2012 the fair value of the assets was $nil (2011 $15 million) and the fair value of the liabilities was $nil (2011 $nil)

19. Contingent liabilities

The Company guarantees, on a joint and several basis with certain fellow subsidiary undertakings of Willis Group Holdings plc and Willis Group Holdings plc itself, the following debt securities issued by Willis North America Inc , also a fellow subsidiary undertaking of Willis Group Holdings plc
$350 million 5 625% Senior Notes due 2015
$600 million 6 200% Senior Notes due 2017
$300 million 7 000% Senior Notes due 2019

In addition the Company was a guarantor of a loan note issued on 26 August 2009 by Willis Faber Limited, a direct subsidiary of the Company, of $3 7 million (£2 4 million) and was repaid on 31 May 2012

On 17 March 2011 the Company became a guarantor, with certain fellow subsidiary undertakings of Willis Group Holdings plc and Willis Group Holdings plc itself, of $300 million 4 125% senior notes due 15 March 2016 and $500 million 5 75% senior notes due 15 March 2021 issued by Willis Group Holdings plc

On 16 December 2011 the Company became a guarantor with certain fellow subsidiary undertakings of Willis Group Holdings plc and Willis Group Holdings plc itself, of a $300 million term loan facility issued to Trinity Acquisition plc by a syndicate of 14 banks led by Barclays Capital and SunTrust Robinson Humphrey The loan is repayable on 16 December 2016 Interest is set at each quarter based on LIBOR plus a margin and payable quarterly

The Company was a guarantor, on a joint and several basis, with certain fellow subsidiary undertakings of Willis Group Holdings plc and Willis Group Holdings plc itself, of $500 million of debt securities issued by Trinity Acquisition plc under a Note Purchase Agreement with Goldman Sachs Mezzanine Partners on 6 March 2009 On 17 March 2011 Trinity Acquisition plc redeemed $465 million of these notes and entered into an agreement to redeem the remaining $35 million on 18 April 2011

Up to 16 December 2011 the Company was a guarantor, on a joint and several basis, with certain fellow subsidiary undertakings of Willis Group Holdings plc and Willis Group Holdings plc itself, of two revolving credit facilities of $200 million and $300 million and a $700 million term loan facility On 16 December 2011 these were repaid

On 30 March 2012 the Company became a guarantor, with certain fellow subsidiary undertakings of Willis Group Holdings plc and Willis Group Holdings plc itself, of a schedule of contributions agreed with the UK pension scheme Trustee This schedule sets out contributions payable by Willis Group Holdings plc for the six year period from 1 January 2012 to 31 December 2017 as follows

1 on-going contributions at 15 9% of active plan members' pensionable salary – approximately £15 million per annum (paid monthly),

2 deficit funding contributions of £36 million per annum (paid monthly),

3 profit share contribution equal to 20% of EBITDA in excess of $900 million per annum (payable within three months of the end of each year unless otherwise agreed with the Trustee), and

4 additional deficit funding contributions of 10% of any exceptional returns to shareholders, including share buybacks (payable within two months of the end of each year in which the returns are made)

The aggregate contributions under 2 and 3, above, are capped at £312 million over the six years 2012 through 2017 All contributions set out above are payable in pounds sterling using the spot rate at the date of payment

During 2012 Willis Group Holdings plc met its obligations under the schedule of contributions to the Trustee Consequently no liability arose to the Company in respect of 2012

19. Contingent liabilities (continued)

On 11 July 2012, the Company executed a Letter of Comfort in favour of JPMorgan Chase Bank (China) Company Limited, Shanghai Branch for its subsidiary Willis Insurance Brokers Co , Ltd in Shanghai in relation to a RMB15 million ($2 4 million) working capital loan facility agreement

20. Related party transactions

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