

**WILLIS FABER (UNDERWRITING MANAGEMENT) LIMITED**  
(Registered Number 1061333)

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

**Directors**

OHW Goodinge (appointed 1 January 2012)  
JA Rugman

**Secretary**

AC Peel (appointed 3 September 2012)

**Registered Office**

51 Lime Street  
London EC3M 7DQ

**Auditor**

Deloitte LLP  
London

WEDNESDAY



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**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

The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption

**Principal activities and review of developments**

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

The Company did not trade during the year. Before ceasing to trade in 1991 the Company provided underwriting agency and other services to its clients. The Company will continue in existence until all its assets have been realised and all its liabilities have been settled.

The loss on ordinary activities after taxation amounted to £6,000 (2011: loss of £3,000)

The Directors do not anticipate any changes in the Company's position for the foreseeable future.

*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*

No interim dividend was paid during the year (2011: £nil). The Directors do not recommend the payment of a final dividend (2011: £nil).

**Directors**

The current Directors of the Company are shown on page 1, which forms part of this report. OHW Goodinge was appointed with effect from 1 January 2012. There were no other changes in 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 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.

## **WILLIS FABER (UNDERWRITING MANAGEMENT) LIMITED**

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

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

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

#### **Disclosure of information to 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



JA Rugman  
Director  
51 Lime Street  
London EC3M 7DQ

12 September 2013

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILLIS FABER (UNDERWRITING MANAGEMENT) LIMITED**

We have audited the financial statements of Willis Faber (Underwriting Management) Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movement in Shareholders' Deficit and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (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 loss 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 AUDITOR'S REPORT TO THE MEMBERS OF WILLIS FABER (UNDERWRITING MANAGEMENT) 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, or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report

A handwritten signature in black ink, appearing to read 'Mark McIlquham', followed by a long horizontal line.

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

12 September 2013

**WILLIS FABER (UNDERWRITING MANAGEMENT) LIMITED****6****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012**

	Notes	2012 £000	2011 £000
<b>Result on ordinary activities before taxation</b>	2	-	-
Tax charge on result on ordinary activities	5	(6)	(3)
<b>Loss on ordinary activities after taxation</b>		(6)	(3)

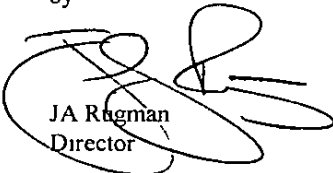
All activities derive from discontinued operations

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

**WILLIS FABER (UNDERWRITING MANAGEMENT) LIMITED****7****BALANCE SHEET AS AT 31 DECEMBER 2012**

	Notes	2012 £000	2011 £000
<b>Current assets</b>			
Debtors			
Amounts falling due within one year	6	9	16
Amounts falling due after one year	7	10	25
		19	41
Deposits and cash		326	319
		345	360
<b>Current liabilities</b>			
Creditors amounts falling due within one year	8	(4,633)	(4,604)
<b>Net current liabilities</b>		<b>(4,288)</b>	<b>(4,244)</b>
Creditors amounts falling due after more than one year	9	(12,472)	(12,472)
Provision for liabilities	10	(41)	(79)
<b>Net liabilities</b>		<b>(16,801)</b>	<b>(16,795)</b>
<b>Capital and reserves</b>			
Called up share capital	11	1	1
Profit and loss account	12	(16,802)	(16,796)
<b>Shareholders' deficit</b>		<b>(16,801)</b>	<b>(16,795)</b>

The financial statements of Willis Faber (Underwriting Management) Limited, registered company number 1061333, were approved by the Board of Directors and authorised for issue on 12 September 2013 and signed on its behalf by

  
JA Rugman  
Director

**WILLIS FABER (UNDERWRITING MANAGEMENT) LIMITED****8****MOVEMENT IN SHAREHOLDERS' DEFICIT FOR THE YEAR ENDED 31 DECEMBER 2012**

<b>Movement in shareholders' deficit</b>	<b>2012 £000</b>	<b>2011 £000</b>
Loss on ordinary activities after taxation	(6)	(3)
Net movement in shareholders' deficit for the year	(6)	(3)
Shareholders' deficit at beginning of year	(16,795)	(16,792)
<b>Shareholders' deficit at end of year</b>	<b>(16,801)</b>	<b>(16,795)</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012****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. Whilst the Company has net liabilities of £16,801,000 (2011: £16,795,000) Willis Faber Limited, a parent company of both the Company and its immediate parent company, has agreed to take such steps as deemed necessary, including the provision of financial support, to enable the Company to meet its financial obligations as they fall due. This agreement is in place for the foreseeable future. For this reason, the Directors 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 Underwriting Agencies Limited, and
- ultimate parent company is Willis Group Holdings plc, a company incorporated in Ireland

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.

**Interest receivable on cash at bank**

Interest receivable is accounted for on an accruals basis.

**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 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.

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

**1. Accounting policies (continued)****Errors and omission provisions**

Provisions comprise estimates for liabilities which may arise from actual and potential claims for errors and omissions

**Cash flow statement**

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

	2012 £000	2011 £000
<b>2. Result on ordinary activities before taxation</b>		
Result on ordinary activities before taxation is stated after charging/(crediting)		
Bad debt recoveries	(7)	-
Fees payable to the Company's auditors for the audit of the Company's annual accounts	3	3
	<b>(4)</b>	3

No other services were provided to the Company by the Company's auditor in the current or prior years

**3. Employee costs**

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

	2012 £000	2011 £000
<b>4. Directors' remuneration</b>		
Fees paid to third party in respect of a Director's services (note 14)	-	12

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

	2012 £000	2011 £000
<b>5. Tax on result on ordinary activities</b>		
<i>(a) Analysis of charge for the year</i>		
<b>Current tax:</b>		
UK corporation tax on result at 24.5% (2011: 26.5%)	(9)	(16)
Total current tax (note 5(b))	(9)	(16)
<b>Deferred tax</b>		
Origination and reversal of timing differences	9	16
Adjustments to the estimated recoverable amount of deferred tax arising in previous periods	6	3
Total deferred tax (note 7)	15	19
<b>Tax on result on ordinary activities</b>	6	3
<i>(b) Factors affecting current tax for the year</i>		
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:		
Result on ordinary activities before taxation	-	-
Result on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	-	-
Effects of:		
Utilising discontinued operations provision	(9)	(16)
Total current tax credit for the year (note 5(a))	(9)	(16)

*(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.

**WILLIS FABER (UNDERWRITING MANAGEMENT) LIMITED**
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)**

<b>6. Debtors</b>	<b>2012 £000</b>	<b>2011 £000</b>
<i>Amounts falling due within one year</i>		
Amounts owed by Group undertakings in respect of UK corporation tax group relief	9	16
<i>Amounts falling due after more than one year</i>		
Deferred tax asset (note 7)	10	25
	<u>19</u>	<u>41</u>

<b>7. Deferred tax</b>	<b>2012 £000</b>	<b>2011 £000</b>
<i>Deferred tax has been provided in full in respect of assets/liabilities arising from the following timing differences.</i>		
Other provisions	10	25
At 1 January	25	44
Deferred tax charge in profit and loss account (note 5 (a))	(15)	(19)
At 31 December	<u>10</u>	<u>25</u>

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

<b>8. Creditors' amounts falling due within one year</b>	<b>2012 £000</b>	<b>2011 £000</b>
Amounts owed to Group undertaking	4,615	4,586
Accruals and deferred income	18	18
	<u>4,633</u>	<u>4,604</u>

**WILLIS FABER (UNDERWRITING MANAGEMENT) LIMITED****13****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)**

<b>9 Creditors amounts falling due after more than one year</b>	<b>2012 £000</b>	<b>2011 £000</b>
Loans from parent company, subordinated to the interests of other creditors	<b>9,370</b>	9,370
Loans from another Group undertaking, subordinated to the interests of other creditors	<b>3,102</b>	3,102
	<b>12,472</b>	12,472

The loan from the parent company has no repayment date and is interest free. The Company has an agreement with another Group undertaking to provide finance. The facility, which enables the Company to operate and to meet its day-to-day expenses as they fall due, stands at £7,700,000 (£4,598,000 undrawn). This loan has been subordinated in right of payment to the Company's other indebtedness, present or future, which is not expressly subordinated to or ranking pari passu with the subordinated loan provided. The conditions of the facility do not permit the Company to satisfy liabilities arising from negligence, breach of contract, breach of trust or any other breach of duty and therefore the Company cannot utilise the loan to meet any liabilities which may arise from the claim against the Company as disclosed in note 13.

Willis Faber Limited, a parent company of both the Company and its immediate parent company, has agreed not to demand repayment or, where appropriate, has agreed to procure its subsidiaries not to demand repayment of any intercompany debt where the Company did not have the financial resources to effect such payment for the foreseeable future.

<b>10 Provisions for losses on termination of business</b>	<b>Total £000</b>
1 January 2012	79
Utilised in the year	(38)
31 December 2012	41

The provision for losses on termination of business has been reduced as a consequence of the release and discharge of the Company from certain of its contractual obligations to administer the run-off business. The remaining provision includes an estimate for expected operating expenses to the date of termination of activities.

<b>11. Called up share capital</b>	<b>2012 £000</b>	<b>2011 £000</b>
<b>Allotted, called up and fully paid</b>		
1,000 (2011: 1,000) ordinary shares of £1 each	1	1

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

12. Reserves and shareholders' deficit	Share capital £000	Profit and loss account £000	Total £000
1 January 2012	1	(16,796)	(16,795)
Loss on ordinary activities after taxation	-	(6)	(6)
31 December 2012	1	(16,802)	(16,801)

## 13. Contingent liabilities

From 1972 the Company managed the underwriting activities of Sovereign Marine and General Insurance Company Limited, a wholly-owned subsidiary which operated as an insurance company in the United Kingdom. The Company also provided underwriting agency and other services to third party insurance companies, which are referred to as the "stamp companies". As part of its services as agent, the Company underwrote insurance and reinsurance business on behalf of Sovereign and the stamp companies and arranged reinsurance on their behalf. In 1991, the Company ceased underwriting new business as agent on behalf of Sovereign and the stamp companies. Sovereign went into provisional liquidation in 1997.

In 2004, the solvent stamp companies entered into a settlement agreement whereby Willis Group Limited and certain of its subsidiaries received certain immediate releases and other releases were provided in return for and which would be triggered by certain staged payments. The final stage payment was made on May 11, 2007 and consequently, Willis and certain of its subsidiaries were released from further potential liabilities to the solvent stamp companies arising out of the Company's agency role.

On 5 January 2000, a scheme of arrangement proposed by Sovereign to its creditors became effective. The stated purpose of the scheme of arrangement is to resolve Sovereign's liabilities and provide that Sovereign's business is run off in as orderly a manner as possible. Under that scheme administrators announced payments to creditors of 40 per cent of the amounts owed, payable out of Sovereign's assets. This scheme has now been superseded - see below.

Since entering provisional liquidation, Sovereign has been managed by KPMG on behalf of the creditors and Sovereign's assets are therefore separate and distinct from the Company's, therefore any payment from Sovereign to its creditors will have no effect on the Company's results of operations, financial condition or liquidity, except to the extent such payment is made to the Company.

Sovereign, in common with all the solvent stamp companies, has entered into final cut-off schemes of arrangements with their creditors. Votes took place at creditors' meetings on 27 October 2006 (and subsequently) and sufficient voters (by number and by value) have approved the scheme proposals. The schemes were sanctioned by the English Court on 17 September 2007 (and subsequently) and in certain cases protective applications have been made to and approved by the US courts (for non-US stamp companies). The cut-off date for the scheme (April 2008) has passed and the Scheme moves towards completion. The Sovereign Scheme Administrators recently announced an increase in the percentage payment to creditors to approximately 97 percent, pursuant to the Scheme. The Scheme is expected to be brought to an end in Summer 2013, following which Sovereign is to be placed in receivership.

Sovereign has expressed concern about the enforceability of certain reinsurance put in place by the Company on its behalf. The failure of Sovereign to collect reinsurance following any adverse arbitration awards would increase the likelihood of it pursuing potential claims, including shortfalls in reinsurance recoveries, against the Company. Sovereign has reserved its rights generally in respect of such potential claims, and the Company, Willis Group Limited and certain brokerage subsidiaries have entered into a standstill agreement with Sovereign which preserves its rights with respect to these potential claims. The Company believes that any such claims would be covered by errors and omissions insurance.

**14. 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.

DJ Sparkes, a Director of the Company until 31 December 2011, is a Director of Sacombe Park Consultants Limited, which provided the Company with consultancy services in relation to the general administration of the Company. In 2012 the Company paid £nil (2011: £11,667) for such services.

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