

# **WILLIS EMPLOYEE BENEFITS LIMITED**

(Registered Number 5641509)

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010**

### **Directors**

BJ McManus  
A Powis  
N Perry

### **Secretary**

S Lewis (appointed 8 September 2010)

### **Registered Office**

51 Lime Street  
London EC3M 7DQ

### **Auditors**

Deloitte LLP  
London

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**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010**

The Directors present their annual report, together with the audited financial statements, for the year ended 31 December 2010

**Principal activities and review of developments**

The Company provides employee benefits services including the design, implementation, communication and administration of employee benefits programmes. Benefits programmes include pension schemes, group death in service, income protection, private medical insurance, total reward strategies and absence management.

The Company is a subsidiary of Willis Group Holdings plc ("the Group"). The Group is one of the world's leading professional services 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 2010. 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.

*Results*

The profit on ordinary activities after taxation amounted to £219,000 (2009: £199,000). As shown in the profit and loss account on page 7, the Company reported an operating profit of £308,000 for the year (2009: £221,000). The profit is a result of increased turnover due to continued business and client growth in line with our plans for the Company. The strong revenue growth was driven by significant new business generated through the Company's employees' interactions with other employees of the Willis Group.

*Dividends*

No interim dividend was paid in the year (2009: £nil). The Directors do not recommend the payment of a final dividend (2009: £nil).

The balance sheet on page 8 of the financial statements shows the Company's financial position at the year end.

The net assets of the Company increased by £219,000 in 2010, largely due to an increase in trade debtors of £206,000 as a result of higher consultancy fee debtors at the end of the year, along with a reduction in the bad debt provision. Higher prepayment levels of £111,000 also contributed to the increase in net assets although this was offset by an overall increase in creditors and provisions of £34,000 and a decrease in cash of £64,000.

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.

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)****Principal risks and uncertainties**

The Company conducts a regular review of the risks it faces and the actions it takes to mitigate those risks. These risks are embedded in the Board's assessment of the adequacy of financial and non-financial resources.

The most significant risks facing the Company are

- That the ongoing support (both financial and non-financial) of the global Willis Group or Willis Limited (a fellow subsidiary of the Group) is not available, limiting the potential for the ongoing growth of the business and potentially its short to medium term financial resources. To manage this risk the Board have conducted a review of the potential response to these challenges to ensure that the Company has the resources required either to conduct its business appropriately or to conduct an orderly disposal of the Company's assets, and
- That the Company's current senior management team leave the Group, permanently resulting in lower retention and income. We believe that this risk is managed through a combination of financial and non-financial levers, including deferred bonuses, sales incentives and personal development opportunities.

The Company has intercompany balances with fellow Group undertakings in currencies other than pounds sterling, 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 regulated in the UK by the Financial Services Authority and has appropriate FSA permissions to carry on its current activities. Internal control procedures are in place to ensure that the Company is fully compliant with all applicable UK industry regulation.

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

**Environment**

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

**Employees**

Details of the number of employees and related costs can be found in note 4 to the financial statements on pages 12 and 13.

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.

**Directors**

The current Directors of the Company are shown on page 1, which forms part of this report. There were no changes in Directors during the year or after the year end.

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (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.

**Statement of Directors' responsibilities in relation to the financial statements (continued)****Disclosure of information to auditors**

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 auditors are unaware, and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information 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.

**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



Director  
51 Lime Street  
London EC3M 7DQ  
20 July 2011

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILLIS EMPLOYEE BENEFITS LIMITED**

We have audited the financial statements of Willis Employee Benefits Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Movements in Shareholders' Funds and the related notes 1 to 13. 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.

### **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 2010 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**

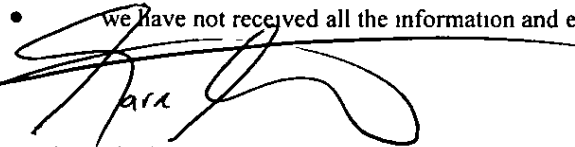
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILLIS EMPLOYEE BENEFITS 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 Auditor  
London  
United Kingdom

20 July 2011

**WILLIS EMPLOYEE BENEFITS LIMITED****7****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £000	2009 £000
Turnover	2	3,279	2,598
Operating expenses		(2,971)	(2,377)
<b>Operating profit</b>	3	<b>308</b>	221
Interest receivable from Group undertaking		-	53
<b>Profit on ordinary activities before taxation</b>		<b>308</b>	274
Tax charge on profit on ordinary activities	6	(89)	(75)
<b>Profit on ordinary activities after taxation</b>		<b>219</b>	199

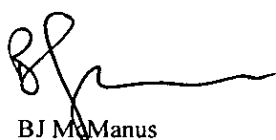
All activities derive from continuing operations

There are no recognised gains or losses in either 2010 or 2009 other than the profit for those years

**WILLIS EMPLOYEE BENEFITS LIMITED****8****BALANCE SHEET AS AT 31 DECEMBER 2010**

	Note	2010 £000	2009 £000
<b>Current assets</b>			
Debtors			
Amounts falling due within one year	7	909	603
Amounts falling due after one year	7	81	70
		990	673
Deposits and cash		603	667
		1,593	1,340
<b>Current liabilities</b>			
Creditors amounts falling due within one year	8	(1,019)	(1,010)
<b>Total assets less current liabilities</b>		574	330
Provisions for liabilities	9	(25)	-
<b>Net assets</b>		549	330
<b>Capital and reserves</b>			
Called up share capital	10	10	10
Profit and loss account	11	539	320
<b>Shareholders' funds</b>		549	330

The financial statements of Willis Employee Benefits Limited, registered company number 5641509, were approved by the Board of Directors and authorised for issue on 20 July 2011 and signed on its behalf by



BJ McManus  
Director



**MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2010**

<b>Movement in shareholders' funds</b>	<b>2010 £000</b>	<b>2009 £000</b>
Profit on ordinary activities after taxation	219	199
Net movement in shareholders' funds for the year	219	199
Shareholders' funds at beginning of year	330	131
<b>Shareholders' funds at end of year</b>	<b>549</b>	<b>330</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010****1. Accounting policies****Basis of preparation**

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

The financial statements have been prepared

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

The 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.

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

**Revenue recognition**

Turnover principally comprises commission and fees for services rendered. Commission and fees negotiated are recognised at the later of policy inception date or when the policy placement is complete. Other consulting fees are recognised as earned.

**Finance income**

Interest receivable is accounted for on an accruals basis.

**Foreign currency translation**

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)****1. Accounting policies (continued)****Pension costs**

Certain employees participate in Willis Group Holdings plc's UK defined benefit pension scheme. This scheme was closed to new entrants in January 2006. New entrants are now offered the opportunity to join a defined contribution scheme. The staff working for the Company are employed by Willis Limited, a fellow subsidiary undertaking of Willis Group Holdings plc ('the Group').

***Defined benefit scheme***

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

The UK 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.

As the Directors are unable to identify the Company's share of the scheme's underlying assets and liabilities, the Company recognises as its pension cost the contributions payable under the scheme during the year, as allowed by FRS17 and are charged to the profit and loss account as part of the employee costs in the period in which they fall due. The pension cost to the Company is based on the contribution rates assessed in accordance with the advice of professionally qualified actuaries using the projected unit credit method. The pension contribution rates are based on pension costs across the Group's UK companies as a whole.

***Defined contribution scheme***

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

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

**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.

**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.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

## 2. Turnover

The table below analyses the Company's commission 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. Commission and fees are attributable to continuing operations.

	2010 £000	2009 £000
<b>Brokerage and fees</b>		
United Kingdom	3,279	2,598

## 3. Operating profit

Auditors' remuneration of £7,800 (2009 £7,800) was borne by another Group company.

	2010 £000	2009 £000
<b>4. Employee costs</b>		
Salaries	1,451	1,244
Social security costs	181	189
Other pension costs	162	149
	<b>1,794</b>	<b>1,582</b>

*Cash retention awards*

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

The following table sets out the amount of cash retention awards made and the related amortisation of those awards for the years ended 31 December 2010 and 2009.

	2010 £000	2009 £000
Cash retention awards made	215	186
Amortisation of cash retention awards included in salaries	112	55

At 31 December 2010 unamortised cash retention awards totalled £241,000 (2009 £140,000).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

## 4. Employee costs (continued)

Number of employees – average for the period	2010 Number	2009 Number
Producer	12	14
Client services	8	5
Management / administration services	4	3
	<b>24</b>	<b>22</b>

The staff working for the Company are employed by other subsidiary undertakings of Willis Group Holdings plc. The Company bears the cost of the salaries, social security payments and pension contributions relating to such staff and reimburses the employing company for the full amount of the costs incurred, as shown above.

5. Directors' remuneration	2010 £000	2009 £000
Emoluments, (excluding pension contributions, benefits and long-term incentive awards)	455	422
Benefits	7	7
Pension contributions	24	11
	<b>486</b>	<b>440</b>
Highest paid Director		
Emoluments, (excluding pension contributions and long-term incentive awards)	240	209
Accrued annual pension	-	8
	<b>240</b>	<b>217</b>
	2010 Number	2009 Number
Directors exercising share options	-	-
Directors receiving shares under long-term incentive plans	-	-
Directors eligible for defined benefit pension schemes	1	1

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

	2010 £000	2009 £000
<b>6. Tax on profit on ordinary activities</b>		
<i>(a) Analysis of charge for the year</i>		
Current tax:		
UK corporation tax on profit at 28% (2009 28%)	89	75
Total current tax (note 6(b))	89	75
<i>(b) Factors affecting current tax for the year</i>		
The tax assessed for the year is higher (2009 lower) than the standard rate of corporation tax in the UK (28%) (2009 28%) The differences are explained below		
Profit on ordinary activities before taxation	308	274
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	86	76
Effects of		
Amounts not deductible for tax purposes	3	2
Adjustments to tax charge in respect of prior years	-	(3)
Total current tax charge for the year (note 6(a))	89	75
<i>(c) Circumstances affecting current and future tax charges</i>		
Following the Finance (No 2) Act 2010, the UK corporation tax rate will change from 28% to 27% on 1 April 2011		
<b>7. Debtors</b>		
	2010 £000	2009 £000
<i>Amounts falling due within one year</i>		
Trade debtors	739	533
Prepayments and accrued income	170	70
	909	603
<i>Amounts falling due after more than one year:</i>		
Prepayments and accrued income	81	70

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

	2010 £000	2009 £000
<b>8 Creditors: amounts falling due within one year</b>		
Trade creditors	50	148
Amounts owed to Group undertaking	826	776
Amounts owed to Group undertaking in respect of group relief	89	78
Other creditors	21	8
Accruals and deferred income	33	-
	<u>1,019</u>	<u>1,010</u>

	Errors and omissions £000
<b>9. Provisions for liabilities</b>	
1 January 2010	-
Charged to profit and loss account	<u>25</u>
31 December 2010	<u>25</u>

*Errors and omissions provision*

The provision comprises estimates for liabilities that may arise from actual and potential claims for errors and omissions

	2010 Number (thousand)	2009 Number (thousand)
<b>10. Called up share capital</b>		
<b>Authorised share capital</b>		
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
	<u>2010 £000</u>	<u>2009 £000</u>
<b>Allotted, called up and fully paid</b>		
10,000 (2009 10,000) ordinary shares of £1 each	<u>10</u>	<u>10</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

11. Reserves and shareholders' funds	Share capital £000	Profit and loss account £000	Total £000
1 January 2010	10	320	330
Profit on ordinary activities after taxation	-	219	219
31 December 2010	10	539	549

## 12. Pensions

*Defined Benefit Scheme*

Certain employees of the Company are members of the Willis Pension Scheme in the United Kingdom ('the Scheme'), which is funded externally and is of the defined benefit type. The staff working for the Company are employed by Willis Limited, a fellow subsidiary undertaking of Willis Group Holdings plc. The pension cost to the Company is based on the contribution rates assessed in accordance with the advice of professionally qualified actuaries using the projected unit credit method. The pension contributions rates are based on pension costs across the Group's UK companies as a whole.

The most recent actuarial valuation of the Scheme was at 31 December 2007. The most recent actuarial valuation has been reviewed and updated as at 31 December 2010 to take account of the requirements of FRS17 'Retirement Benefits', in order to assess the liabilities of the Scheme at 31 December 2010.

The Directors consider that the share of the Scheme's underlying assets and liabilities attributable to the Company's employees cannot be separately identified as several Group companies participate in the Scheme. Accordingly, all Scheme assets and liabilities are included on the balance sheet of Willis Limited. The Scheme showed an overall surplus after tax of \$156 million (£100 million) at 31 December 2010 compared with an overall surplus after tax of \$72 million (£45 million) at 31 December 2009. Company funded contributions were made at the rate of 14.9% of pensionable earnings in 2010 compared with 14.8% in 2009. In addition, the Scheme contributions were 8% in both 2010 and 2009 for all employed members.

Full disclosures for the Scheme under FRS17 are included in the financial statements of Willis Limited.

The Scheme was closed to new members from 1 January 2006.

*Defined Contribution Scheme*

The Company operated a defined contribution scheme for new entrants from 1 January 2006 for which the pension cost charge for the year amounted to £110,000 (2009: £105,000).

## 13. Related party transactions

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