

# **WILLIS GROUP SERVICES LIMITED**

(Registered Number 1451456)

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

### **Directors**

SE Wood  
Willis Corporate Director Services Limited (appointed 17 November 2011)  
SW Gaffney (appointed 3 February 2012)

### **Secretary**

Willis Corporate Secretarial Services Limited

### **Registered Office**

51 Lime Street  
London EC3M 7DQ

### **Auditors**

Deloitte LLP  
London



**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011**

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

**Principal activities and review of developments**

The Company is a subsidiary of Willis Group Holdings plc ('the Group'). The Group is one of the world's leading professional service providers of risk management solutions, risk transfer expertise through insurance and reinsurance broking, and related specialised consultancy services. The Company provides financial, leasing, property holding and administrative services principally for subsidiaries of the Group. The Company's principal sources of revenue are from income on leased assets, fees receivable in respect of management services and recharges to other Group undertakings. Recharges are based on usage and are allocated using various methods including revenues and headcount.

There have been no significant changes in the Company's principal activities in 2011. 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 loss on ordinary activities after taxation amounted to £23 million (2010 profit of £11 million). As shown in the profit and loss account on page 8, the Company reported an operating loss of £31 million for the year (2010 operating profit £14 million). Net foreign currency exchange movements, primarily on Euros and US dollars relative to sterling, resulted in an adverse foreign exchange loss of £20 million in the year compared to a profit of £26 million in 2010. This was largely attributable to the retranslation of non-sterling intercompany debtors and creditors.

*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 11.

*Dividends*

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

*Balance sheet*

The balance sheet on page 9 of the financial statements shows the Company's financial position at the year end. Net assets have decreased by £23 million primarily due to

- movements in net intercompany balances, mainly as a result of foreign exchange losses, partly offset by the capitalisation of the expenditure on project costs included in fixed assets of £9 million (2010 £3 million)

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 2011 (continued)****Principal risks and uncertainties**

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 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, monitors its impact on the environment on a location by location basis, and designs and implements policies to reduce any damage that might be caused by the Group's activities.

**Employees**

Details of the number of employees and related costs can be found in note 4 to the financial statements on page 15.

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

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

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

**Directors**

The current Directors of the Company are shown on page 1, which forms part of this report. DB Margrett resigned as Director of the Company on 11 November 2011. Willis Corporate Director Services Limited and SW Gaffney were appointed with effect from 17 November 2011 and 3 February 2012 respectively. There were no other changes in Directors during the year or after the year end.

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011 (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 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

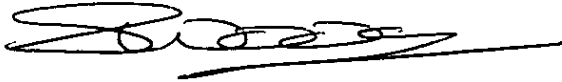
This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011 (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

A handwritten signature in black ink, appearing to read 'SE Wood', with a horizontal line underneath it.

SE Wood  
Director  
51 Lime Street  
London EC3M 7DQ

29 March 2012

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

We have audited the financial statements of Willis Group Services Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Movement in Shareholders' Funds and the related notes 1 to 19. 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 2011 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 GROUP SERVICES 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

A handwritten signature in black ink, appearing to read 'Mark McIlquham', is written over a horizontal line.

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

30 March

2012

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

|   | Note | 2011<br>£m  | 2010<br>£m |
|---|------|-------------|------------|
| Turnover  | 2    | 144         | 130        |
| Operating expenses  |      | (155)       | (142)      |
| Operating (expenses)/income – foreign exchange (loss)/gain  |      | (20)        | 26         |
| <b>Operating (loss)/profit</b>                              | 3    | <b>(31)</b> | 14         |
| Finance income, net   | 6    | 2           | 1          |
| <b>(Loss)/profit on ordinary activities before taxation</b> |      | <b>(29)</b> | 15         |
| Tax credit/(charge) on (loss)/profit on ordinary activities | 7    | 6           | (4)        |
| <b>(Loss)/profit on ordinary activities after taxation</b>  |      | <b>(23)</b> | 11         |

All activities derive from continuing operations

There are no recognised gains or losses in either 2011 or 2010 other than the loss or profit for those years



**WILLIS GROUP SERVICES LIMITED**

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**BALANCE SHEET AS AT 31 DECEMBER 2011**

|  | Note | 2011<br>£m   | 2010<br>Restated<br>£m |
|--|------|--------------|------------------------|
| <b>Fixed assets</b>                                    |      |              |                        |
| Tangible assets  | 8    | 87           | 84                     |
| <b>Current assets</b>                                  |      |              |                        |
| Debtors  |      |              |                        |
| Amounts falling due within one year                    | 9    | 889          | 916                    |
| Amounts falling due after one year                     | 9    | 12           | 14                     |
|  |      | <u>901</u>   | <u>930</u>             |
| Deposits and cash                                      |      | 3            | 1                      |
|  |      | <u>904</u>   | <u>931</u>             |
| <b>Current liabilities</b>                             |      |              |                        |
| Creditors amounts falling due within one year          | 11   | <u>(874)</u> | <u>(878)</u>           |
| <b>Net current assets</b>                              |      | <u>30</u>    | <u>53</u>              |
| <b>Total assets less current liabilities</b>           |      | <u>117</u>   | <u>137</u>             |
| Creditors amounts falling due after more than one year | 12   | (81)         | (79)                   |
| Provisions for liabilities                             | 13   | (6)          | (5)                    |
|  |      | <u>30</u>    | <u>53</u>              |
| <b>Net assets</b>                                      |      | <u>30</u>    | <u>53</u>              |
| <b>Capital and reserves</b>                            |      |              |                        |
| Called up share capital                                | 14   | 5            | 5                      |
| Profit and loss account                                | 15   | 25           | 48                     |
|  |      | <u>30</u>    | <u>53</u>              |
| <b>Shareholders' funds</b>                             |      | <u>30</u>    | <u>53</u>              |

The financial statements of Willis Group Services Limited, registered company number 1451456, were approved by the Board of Directors and authorised for issue on 29 March 2012 and signed on its behalf by



SE Wood  
Director

## MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2011

| <b>Movement in shareholders' funds</b>              | <b>2011<br/>£m</b> | <b>2010<br/>£m</b> |
|---|--------------------|--------------------|
| (Loss)/profit on ordinary activities after taxation | (23)               | 11                 |
| Net movement in shareholders' funds for the year    | (23)               | 11                 |
| Shareholders' funds at beginning of year            | 53                 | 42                 |
| <b>Shareholders' funds at end of year</b>           | <b>30</b>          | <b>53</b>          |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011****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. The expectation is based on the following reasons:

- the Company is a group management company providing services within the Willis Group. It also acts as a treasury function maintaining the flow of funds from Group subsidiaries,
- the Company has net current assets of £30 million (2010: £53 million), and
- the Directors believe the Willis Group is a going concern.

For these reasons, the Directors continue to adopt the going concern basis in preparing the accounts. The principal risks and uncertainties are discussed in the Directors' Report.

**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.

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

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

**Revenue recognition**

Turnover, which arises solely in the UK, comprises income on leased assets and fees receivable in respect of management services and recharges of expenses to other Group undertakings, which are recognised as earned.

**Finance income / charges**

Interest receivable and interest payable are 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').

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

**1. Accounting policies (continued)****Foreign currency translation (continued)**

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.

**Tangible fixed assets**

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

|                                    |                        |
|------------------------------------|------------------------|
| Motor vehicles                     | Over 4 years           |
| Furniture and equipment            | Between 4 and 10 years |
| Software                           | Between 3 and 7 years  |
| Freehold buildings                 | Over 50 years          |
| Short/long leaseholds improvements | Over period of lease   |
| Freehold land                      | Not depreciated        |

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

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

**Pension costs**

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

**Defined benefit scheme**

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

The 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 the balance sheet of Willis Limited, a subsidiary undertaking of the Group.

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.

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

**1. Accounting policies (continued)****Pension costs (continued)*****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.

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.

**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.

**Leased assets**

Rentals payable or receivable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are also charged in the profit and loss account on a straight-line basis over the lease term.

**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 2011 (continued)

## 2. Turnover

Turnover arises solely in the UK and is analysed in the table below

|  | 2011<br>£m | 2010<br>£m |
|--|------------|------------|
| Management charge                                | 8          | 5          |
| Expenses recharged to other Group companies      | 113        | 101        |
| Income on assets leased to other Group companies | 14         | 13         |
| Rental income                                    | 9          | 11         |
|  | <u>144</u> | <u>130</u> |

| 3. Operating (loss)/profit                                   | 2011<br>£m | 2010<br>£m |
|--|------------|------------|
| Operating (loss)/profit is stated after charging/(crediting) |            |            |
| Depreciation of tangible fixed assets                        |            |            |
| Owned  | 12         | 11         |
| Rentals under operating leases                               |            |            |
| Land and buildings   | 22         | 25         |
| Profit on sale of tangible fixed assets                      | -          | (1)        |
| Rental income  | (9)        | (11)       |
| Currency translation adjustments                             | 20         | (26)       |

The foreign exchange loss of £20 million (2010 gain of £26 million) shown in the profit and loss account is mainly attributable to the fluctuation in the value of the pound to the US dollar and the Euro during the year in relation to intercompany assets and liabilities

| <i>Auditors' remuneration.</i> | 2011<br>£m | 2010<br>£m |
|--------------------------------|------------|------------|
| Audit fees                     | 1          | 1          |

The Company bore the audit fees of other UK Group companies in the current and preceding year. Fees payable to the Company's auditors for the audit of the Company's annual accounts pursuant to legislation were £62,400 in 2011 and £62,400 in 2010

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

| 4. Employee costs     | 2011<br>£m | 2010<br>£m |
|-----------------------|------------|------------|
| Salaries              | 40         | 31         |
| Social security costs | 3          | 3          |
| Other pension costs   | 4          | 4          |
|                       | 47         | 38         |

In addition the Company incurred redundancy costs of £4 million which are not included in the numbers above (2010 £2 million)

| Number of employees – average for the period | 2011<br>Number | 2010<br>Number |
|--|----------------|----------------|
| Producer                                     | 8              | 10             |
| Client services                              | 76             | 66             |
| Management / administration services         | 462            | 440            |
|  | 546            | 516            |

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.

*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 2011 and 2010.

|  | 2011<br>£m | 2010<br>£m |
|--|------------|------------|
| Cash retention awards made                                 | 8          | 9          |
| Amortisation of cash retention awards included in salaries | 8          | 5          |

At 31 December 2011 unamortised cash retention awards totalled £8 million (2010 £8 million)

**5. Directors' remuneration**

The Directors of the Company received no remuneration for services rendered to the Company during the year (2010 £nil)

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

| <b>6 Finance income, net</b>                | <b>2011<br/>£m</b> | <b>2010<br/>£m</b> |
|---|--------------------|--------------------|
| <i>Interest and investment income</i>       |                    |                    |
| Interest receivable from Group undertakings | 8                  | 7                  |
| <i>Interest payable and similar charges</i> |                    |                    |
| Interest payable to Group undertakings      | (5)                | (5)                |
| Other loans                                 | (1)                | (1)                |
|   | <b>(6)</b>         | <b>(6)</b>         |
| Finance income, net                         | <b>2</b>           | <b>1</b>           |

| <b>7 Tax on (loss)/profit on ordinary activities</b>  | <b>2011<br/>£m</b> | <b>2010<br/>£m</b> |
|---|--------------------|--------------------|
| <i>(a) Analysis of (credit)/charge for the year</i>   |                    |                    |
| <b>Current tax:</b>   |                    |                    |
| UK corporation tax on profit at 26.5% (2010: 28%)   | (8)                | 4                  |
| Adjustments in respect of prior periods   | 1                  | -                  |
| Total current tax (note 7(b))   | <b>(7)</b>         | <b>4</b>           |
| <b>Deferred tax:</b>  |                    |                    |
| Origination and reversal of timing differences  | -                  | 1                  |
| Adjustments to the estimated recoverable amount of deferred tax arising in previous periods | 1                  | (1)                |
| Total deferred tax (note 10)  | <b>1</b>           | <b>-</b>           |
| <b>Tax on (loss)/profit on ordinary activities</b>  | <b>(6)</b>         | <b>4</b>           |

*(b) Factors affecting current tax for the year*

The tax assessed for the year is higher than (2010: equal to) the standard rate of corporation tax in the UK (26.5% (2010: 28%)). The differences are explained below.

|  |            |          |
|--|------------|----------|
| (Loss)/profit on ordinary activities before taxation   | (29)       | 15       |
| (Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.5% (2010: 28%) | (8)        | 4        |
| Effects of   |            |          |
| Capital allowances for the year less than depreciation on qualifying assets  | -          | (1)      |
| Amounts not deductible for tax purposes  | -          | 1        |
| Adjustments to tax charge in respect of prior years  | 1          | -        |
| Total current tax (credit)/charge for the year (note 7(a))   | <b>(7)</b> | <b>4</b> |



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

## 7 Tax on (loss)/profit on ordinary activities (continued)

*(c) Circumstances affecting current and future tax charges*

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

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

## 8. Tangible fixed assets

|  | <u>Land and buildings</u>               |  |            |
|--|---|--|------------|
|  | Long/short<br>leasehold<br>improvements | Furniture,<br>equipment,<br>software and<br>vehicles | Total      |
|  | £m                                      | £m   | £m         |
| <i>Cost or valuation</i>                   |   |  |            |
| 1 January 2011                             | 60                                      | 98   | 158        |
| Additions                                  | -                                       | 15   | 15         |
| Disposals                                  | (1)                                     | (12)   | (13)       |
| 31 December 2011                           | <b>59</b>                               | <b>101</b>   | <b>160</b> |
| <i>Depreciation</i>                        |   |  |            |
| 1 January 2011                             | 10                                      | 64   | 74         |
| Provision for the year                     | 3                                       | 9  | 12         |
| Disposals                                  | (1)                                     | (12)   | (13)       |
| 31 December 2011                           | <b>12</b>                               | <b>61</b>  | <b>73</b>  |
| <i>Net book value 31<br/>December 2011</i> | <b>47</b>                               | <b>40</b>  | <b>87</b>  |
| <i>Net book value 31<br/>December 2010</i> | 50                                      | 34   | 84         |

Any impairment in the value of fixed assets is charged to the profit and loss account in accordance with FRS11 'Impairment of fixed assets and goodwill'.

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

| 9. Debtors  | 2011<br>£m | 2010<br>£m |
|---|------------|------------|
| <i>Amounts falling due within one year.</i>                   |            |            |
| Amounts owed by Group undertakings                            | 852        | 887        |
| Amounts owed by associated undertakings                       | 1          | -          |
| Amounts owed by Group undertakings in respect of group relief | 15         | 9          |
| Other debtors   | 5          | 5          |
| Prepayments and accrued income                                | 16         | 15         |
|   | <b>889</b> | <b>916</b> |
| <i>Amounts falling due after more than one year:</i>          |            |            |
| Deferred tax asset (note 10)                                  | 2          | 3          |
| Prepayments and accrued income                                | 3          | 3          |
| Accrued rental income from subleases                          | 7          | 8          |
|   | <b>12</b>  | <b>14</b>  |
|   | <b>901</b> | <b>930</b> |

The accrued rental income due after more than one year represents lease incentives in relation to rent receivable from operating subleases, primarily on the leased London headquarters. These will be charged to the profit and loss account on a straight-line basis over the lease term.

| 10. Deferred tax  | 2011<br>£m | 2010<br>£m |
|---|------------|------------|
| <i>Deferred tax has been provided in full in respect of assets/liabilities arising from the following timing differences:</i> |            |            |
| Capital allowances  | (1)        | -          |
| Other provisions  | 3          | 3          |
|   | <b>2</b>   | <b>3</b>   |
| At 1 January  | 3          | 3          |
| Deferred tax charge in profit and loss account (note 7 (a))   | (1)        | -          |
| At 31 December  | <b>2</b>   | <b>3</b>   |

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.

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

| 11. Creditors: amounts falling due within one year | 2011<br>£m | 2010<br>Restated<br>£m |
|--|------------|------------------------|
| Amounts owed to Group undertakings                 | 843        | 853                    |
| Income tax and social security                     | 8          | 7                      |
| Incentives from lessors                            | 2          | 1                      |
| Other creditors                                    | 14         | 14                     |
| Accruals and deferred income                       | 7          | 3                      |
|  | 874        | 878                    |

| 12. Creditors: amounts falling due after more than one year | 2011<br>£m | 2010<br>Restated<br>£m |
|---|------------|------------------------|
| Incentives from lessors (i)                                 | 75         | 73                     |
| Unfunded pension liability (ii)                             | 6          | 6                      |
|   | 81         | 79                     |

(i) The amounts due after more than one year represent lease incentives, including deferred discounts in relation to rent payable on operating leases, primarily on the leased London headquarters. These will be released to the profit and loss account on a straight-line basis over the lease term. Of this £68 million falls due in greater than 5 years from the balance sheet date (2010: £72 million).

(ii) The Company has an obligation to pay certain retirement benefits to a small group of former employees. The Company expects the majority of this liability to become payable in greater than 5 years from the balance sheet date. These obligations have been restated from creditors falling due within one year in 2010.

| 13. Provisions for liabilities     | Dilapidation<br>provision<br>£m | Exceptional<br>restructuring<br>provision<br>£m | Total<br>£m |
|------------------------------------|---------------------------------|---|-------------|
| 1 January 2011                     | 2                               | 3   | 5           |
| Utilised in the year               | -                               | (2)   | (2)         |
| Charged to profit and loss account | -                               | 3   | 3           |
| 31 December 2011                   | 2                               | 4   | 6           |

*Dilapidation provision*

The provision is in respect of the estimated costs of dilapidation work on leased properties prior to the properties being vacated at the end of the lease term.

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

**13. Provisions for liabilities (continued)***Exceptional restructuring provision*

The provision is in respect of properties no longer required for operational purposes. The Company expects the majority (£3 million) to be utilised within the next year.

| <b>14. Called up share capital</b>                     | <b>2011</b> | <b>2010</b> |
|--|-------------|-------------|
|  | <b>£m</b>   | <b>£m</b>   |
| <b>Allotted, called up and fully paid</b>              |             |             |
| 5,000,000 (2010: 5,000,000) ordinary shares of £1 each | 5           | 5           |

| <b>15. Reserves and shareholders' funds</b> | <b>Share capital</b> | <b>Profit and loss account</b> | <b>Total</b> |
|---|----------------------|--------------------------------|--------------|
|   | <b>£m</b>            | <b>£m</b>                      | <b>£m</b>    |
| 1 January 2011                              | 5                    | 48                             | 53           |
| Loss on ordinary activities after taxation  | -                    | (23)                           | (23)         |
| 31 December 2011                            | 5                    | 25                             | 30           |

**16. Commitments**

The Company had contracted for but not provided for capital expenditure at 31 December 2011 of £8 million (2010: £4 million).

*Annual commitments under non-cancellable operating leases are as follows:*

| <b>Lease expiry date</b>                        | <b>Land and buildings</b> |              |              | <b>2010</b> |
|---|---------------------------|--------------|--------------|-------------|
|   | <b>Lime Street</b>        | <b>Other</b> | <b>Total</b> |             |
|   | <b>2011</b>               | <b>2011</b>  | <b>2011</b>  |             |
|   | <b>£m</b>                 | <b>£m</b>    | <b>£m</b>    | <b>£m</b>   |
| Within one year                                 | -                         | 1            | 1            | 1           |
| Between two and five years                      | -                         | 1            | 1            | 3           |
| After five years                                | 17                        | 7            | 24           | 24          |
| <b>Total annual operating lease commitments</b> | <b>17</b>                 | <b>9</b>     | <b>26</b>    | <b>28</b>   |

The Company provides the Group with its London headquarters. In November 2004, the Company entered into a 25 year agreement to lease the new London headquarters for the Group on Lime Street, London. The Company took control of the building in June 2007 and the Group's London based employees moved in to the new building at the end of April 2008. As at 31 December 2011, the outstanding contractual obligation in relation to this commitment was £466 million (2010: £482 million).

**17. 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 2010. The most recent actuarial valuation has been reviewed and updated as at 31 December 2011 to take account of the requirements of FRS17 'Retirement Benefits', in order to assess the liabilities of the Scheme at 31 December 2011.

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 \$130 million (£84 million) at 31 December 2011 compared with an overall surplus after tax of \$156 million (£100 million) at 31 December 2010. Company funded contributions were made at the rate of 14.8% of pensionable earnings in 2011 compared with 14.9% in 2010. In addition, the Scheme contributions were 8% in 2010 and up to 1 July 2011, and 10% thereafter 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 £1,436,000 (2010: £1,121,000).

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**18. Contingent liabilities**

The Company has given guarantees and indemnities to bankers and other third parties amounting to £27,000 (2010: £27,000).

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**19. 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.

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