WILLIS LIMITED
(Registered Number 181116)

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

Directors

Executive Directors
DB Margrett
BJ McManus
AJC Rivers
D Samengo-Turner
JED Vickers
SE Wood
SP Hearn (appointed 29 October 2010)
PA Owens (appointed 10 January 2011)

Non-executive Director
Sir Jeremy Hanley
RP Baker-Bates (appointed 5 August 2011)

Secretary

S Lewis (appointed 8 September 2010)

Registered Office

51 Lime Street
London EC3M 7DQ

Auditors

Deloitte LLP
London

WILLIS LIMITED

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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

Willis Limited ("the Company") is a subsidiary of Willis Group Holdings plc ("the Group")

The Company is regulated by the Financial Services Authority ("FSA") and provides risk management, insurance and reinsurance broking services to clients in the UK and worldwide In addition to its presence in the UK retail and commercial markets, the Company's core specialty businesses include Aerospace, Energy, Marine, Construction, Financial and Executive Risks, Fine Art, Jewellery and Specie, Bloodstock, and Reinsurance

Business Review

The Company's key financial and other performance indicators during the year were as follows

	2010 $m	2009 $m	Movement $m	% Change
Turnover	876	834	42	5%
Operating Expenses	(704)	(671)	(33)	5%
Profit before tax	219	185	34	18%
Shareholders' funds	825	642	183	29%
Current Assets as % of Current Liabilities	111%	111%		
Average number of employees (note 4)	3,483	3,444		

In 2010, the Company's turnover was $876 million, a 5 percent increase on 2009 ($834 million) This increase was driven by a 6 percent increase in brokerage and fees ($49 million) excluding the impact of foreign currency translation A significant proportion of this growth was within the Company's reinsurance division (9 percent growth) although all business units grew year over year excluding the impact of foreign exchange Across all business units, a focus on retaining existing clients, generating new clients and cross sales has offset the impact of continuing soft insurance markets and a challenging economic environment

The underlying increase in brokerage and fees was partly offset by a $4 million adverse impact from foreign exchange translation, in particular due to the weakening of both the Pound Sterling and Euro, in which the Company earns a significant proportion of its revenues, against the US dollar There was also a $3 million reduction in investment income reflecting lower average return on funds deposited

Operating expenses of $704 million were $33 million, or 5 percent, higher than in 2009 reflecting a $19 million increase in incentive costs, an $11 million regulatory settlement with the FSA (note 28), and a $5 million increase in depreciation and amortisation The incentive cost increase is driven mainly by the maturity of the Company's cash retention awards which are paid to employees and then amortized to the profit and loss account over a period of time (currently 3 years)

Profit before tax of $219 million was $34 million higher than 2009 reflecting the above movements in turnover and operating expenses (net $9 million), the impact of higher expected returns on pension fund net assets ($23 million), and the proceeds on sale of a small book of business ($7 million), all partly offset by a $5 million reduction in interest income

Shareholders' funds grew by $183 million to $825 million reflecting after tax profits of $157 million and actuarial gains in the pension scheme assets as a result of a modest recovery by many long term investment markets in 2010 The Directors review the adequacy of the Company's capital relative to the risks it faces on a regular basis

During 2010 a $20 million revolving credit facility was taken out by the Company The facility is secured against the Company's real estate assets and has not been drawn upon

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

Business Review (continued)

During 2010, the Company acquired a book of business from Glencairn Limited, a fellow Group undertaking, for consideration of $14 million (note 8) The Company also sold a book of business to Glencairn Limited for consideration of $7m These transactions enabled a restructuring of the Group's activities in the UK following the acquisition of the HRH Group in October 2008

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

Dividends

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

Future Developments

The Company is a leading provider of risk management, insurance and reinsurance broking services to clients in the UK and worldwide These activities are expected to continue

To support the Company's growth, the Group is investing in the Willis Cause, as the embodiment of the Company's promise to our clients We believe that the Willis Cause, will be an important differentiator for the Company in the years to come Its components are

- we thoroughly understand our clients' needs and their industries,
- we develop client solutions with the best markets, price and terms,
- we relentlessly deliver quality client service, and
- we get the claims paid quickly
  With Integrity

Events Since Balance Date

On 10 January 2011, PA Owens was appointed as Director of the Company

On 5 May 2011, DB Margrett stepped down as Chief Executive Officer and was succeeded in that role by BJ McManus

On 5 August 2011, DB Margrett stepped down as Chairman of the Company and was succeeded in that role by RP Baker-Bates who was appointed as a Director on that day At the date of signing the Company's Financial Statements RP Baker-Bates was Chairman of the Company

As of 1 April 2011 Willis Ltd has been joined in its parent company's, Willis Group Holdings plc, ongoing litigation in the Federal Court in Texas with Stanford Financial Group The Company disputes any allegations and intends to defend itself vigorously against all actions The outcome of these actions, however, including losses or other payments that may occur as a result, cannot be predicted at this time

During 2010, the Financial Services Authority (the "FSA") conducted an investigation of some of our compliance systems and controls between 2005 and 2009 On July 21, 2011, we and the FSA announced a settlement under which the FSA concluded its investigation by assessing a £6 895 million ($11 147 million) fine on the Company for lapses in the implementation and documentation of its controls to counter the risks of improper payments being made to non-FSA authorized overseas third parties engaged to help win business, particularly in high risk jurisdictions A provision for the regulatory settlement was recognised in the Company's accounts as at 31 December 2010

As a result of the FSA settlement, the Company will be conducting an internal review of all payments made between 2005 and 2009

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

Going Concern

The Directors conduct a regular review of the risks facing the Company and have positioned the Company's financial and non-financial resources to respond to those risks 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 report and accounts

Principal risks and uncertainties

The Company has an Enterprise Risk Management Committee that meets at least quarterly This Committee advises the Board on risk matters including the assessment of risk appetite and monitoring of risk against that appetite

The principal risks and uncertainties facing the Company are

Exposure to the Group

The Company is a wholly owned subsidiary of the Group The Group is the third largest insurance broker in the world, is listed on the NYSE and has net assets at 31 December 2010 of $2 6 billion

The Company is dependent upon its ultimate parent company and the Group for ongoing support in a wide range of areas The Group is also dependent upon the Company for its access to London Market as well as the Company's development of employees for deployment around the Group

The Directors expect the support from the Group to continue for the foreseeable future

Economic Environment and Competition

The low level of growth in the UK economy reduces the volume of new clients to the UK insurance market As a result our competitors are being very aggressive on new business which places significant pressure on our employees to retain clients and revenue We expect the challenging economic circumstances and resulting competition will remain for the foreseeable future We mitigate the risk through our focus on service and product quality

People

The Company's people are often sought after by our competition We mitigate that risk through long term incentives, cash retention awards, salary increases in 2011 and continuing training and development

Pension Risks

The Company's defined benefit pension scheme comprises assets of $2 1 billion and net liabilities of $1 9 billion as at 31 December 2010 The fund was closed to new members in January 2006 but continues to accrue future benefits for existing members A large proportion of the scheme assets are held in Pound Sterling denominated assets which gives exposure to potential currency risks as long as there is a surplus or deficit net asset position in the scheme Movements in various factors could result in significant fluctuations in the value of the future obligations under the scheme and the value of the scheme assets These factors include equity and bond market returns, inflation rates, mortality assumptions, potential regulatory and legal changes and counterparty exposure in investments

The Company maintains a proactive relationship with the Scheme Trustee with the objective of maintaining a sustainable and well funded scheme

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

Principal Risks and Uncertainties (continued)

Errors and Omissions Exposures

As a consequence of the business model we operate, claims alleging professional negligence are made against the Company Some of these claims may have a material adverse impact on the Company's cash and capital position The Company mitigates this risk through the implementation of the Willis Excellence Model whose objective is to provide a high level of service and quality to the Company's clients In addition, the Company has taken out appropriate insurance cover

Regulatory Risk

The Company is subject to regulation from the FSA in relation to its insurance mediation activities The FSA has prescribed the methods by which the Company's insurance and reinsurance operations are to conduct business, and has a wide range of rule-making, investigatory and enforcement powers aimed at meeting its overall aim of promoting efficient, orderly and fair markets and helping retail consumers achieve a fair deal

The Company's failure, or that of its employees, to satisfy the FSA that we are in compliance with their requirements or the legal requirements governing our activities, can result in disciplinary actions, fines, reputational damage and financial harm

To mitigate this risk the Company's legal, risk and compliance departments have established a framework to ensure compliance with all regulatory requirements which include detailed guidance on the standards employees must adhere to Reviews and audits of compliance with this guidance are carried out on a regular basis by both compliance and internal audit

Liquidity Risk

There is a risk that the Company may not have sufficient cash available to meet its obligations as they fall due The Company assesses the potential scenarios in which this might take place and maintains significant cash and liquid funds to mitigate the risk In the ordinary course of business the Company can also rely on the Group's liquidity

Credit Risk

The Company is exposed to the risk that counterparties may not be able to repay amounts in full when due This risk arises in respect of amounts due from clients and insurers in respect of brokerage not yet received, funded claims and funded premiums It also arises in respect of its cash and investment holdings

Brokerage not yet received is monitored closely to minimise the time to collect The risk of funded claims and premiums is mitigated by the Company's policy of only funding claims and premiums in exceptional circumstances and then through active collection of the debts created

Credit risk in respect of the Company's cash and investment holdings is mitigated by holding investments in entities with a suitable minimum credit rating and by limiting the amount which can be invested with a single issuer based upon each issuer's financial position

Interest Rate Risk

The Company's investment portfolio is held over a variable maturity profile and therefore exposes the Company to interest rate risk The Company mitigates this risk through active investment portfolio management

Principal Risks and Uncertainties (continued)

Currency Risk

The Company conducts its business in multiple currencies, primarily US Dollars, Pound Sterling, Euro and Japanese Yen and is therefore exposed to currency risk in relation to revenue and the value of its assets and liabilities The majority of this risk is mitigated through the matching of foreign currency assets and liabilities The Company also buys currency forward where there is a known future mismatch

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 As a member of the Group, the Company reflects these values in its activities

Employees

Details of the number of employees and related costs can be found in note 4 to the financial statements on page 18

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

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

Directors

The current Directors of the Company are shown on page 1, which forms part of this report MP Chitty resigned as a Director of the Company on 31 December 2010 The Board regrets to report that MR Rendle, a Non-executive Director of the Company since 2005 passed away on 8 April 2011 SP Hearn, PA Owens and RP Baker-Bates were appointed with effect from 29 October 2010,10 January 2011 and 5 August 2011 respectively There were no other 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

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
10 August 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILLIS LIMITED

We have audited the financial statements of Willis Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movement in Shareholders' Funds and the related notes 1 to 28 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

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
10 August 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 $m	2009 $m
Brokerage and fees	2	853	808
Interest and investment income		23	26
Turnover		876	834
Operating expenses		(685)	(643)
Operating expenses – foreign exchange loss		(19)	(28)
Operating profit	3	172	163
Finance income, net	6	40	22
Proceeds from disposal of book of business		7	-
Profit on ordinary activities before taxation		219	185
Tax charge on profit on ordinary activities	7	(62)	(69)
Profit on ordinary activities after taxation		157	116

All activities derive from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 $m	2009 $m
Profit on ordinary activities after taxation	21	157	116
Actuarial gain/(loss) relating to the pension scheme	22	24	(68)
UK deferred tax attributable to actuarial (gain)/loss		(7)	19
UK deferred tax attributable to rate change on prior years actuarial losses		(3)	-
Net effects of exchange rates on pension movements	21	(6)	(20)
Net currency translation gain on the UK retail business	21	1	23
Total recognised gains and losses for the financial year		166	70

BALANCE SHEET AS AT 31 DECEMBER 2010

	Note	2010 $m	2009 (recast, see note 1) $m
Fixed assets			
Intangible assets - goodwill	8	**98**	99
Tangible assets	9	**21**	-
Investments	10	**3**	2
		122	101
Current assets			
Debtors			
Amounts falling due within one year	13	**589**	774
Amounts falling due after one year	13	**28**	14
		617	788
Fiduciary assets amounts falling due within one year	14	**3,818**	3,583
Deposits and cash held in fiduciary capacity	14	**976**	902
Deposits and cash		**114**	71
		5,525	5,344
Current liabilities			
Creditors amounts falling due within one year	16	**(176)**	(350)
Fiduciary liabilities amounts falling due within one year	17	**(4,794)**	(4,485)
Net current assets		**555**	509
Total assets less current liabilities		**677**	610
Creditors amounts falling due after more than one year	18	**(7)**	(23)
Provisions for liabilities	19	**(1)**	(17)
Net assets excluding pension asset		**669**	570
Pension asset	22	**156**	72
Net assets		**825**	642
Capital and reserves			
Called up share capital	20	**153**	153
Profit and loss account	21	**672**	489
Shareholders' funds		**825**	642

The financial statements of Willis Limited, registered company number 181116, were approved by the Board of Directors and authorised for issue on 10 August 2011 and signed on its behalf by

SE Wood
Director

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

Movement in shareholders' funds	2010 $m	2009 $m
Profit on ordinary activities after taxation	**157**	116
Actual return less expected return on pension scheme assets	**103**	137
Experience gain/(losses) arising on pension scheme liabilities	**-**	(3)
Changes in assumptions underlying the present value of the pension scheme liabilities	**(79)**	(202)
UK deferred tax attributable to actuarial (gain)/loss and additional pension contribution	**(7)**	19
UK deferred tax attributable to rate change on prior years actuarial losses	**(3)**	-
Net effect of exchange rates on pension movements	**(6)**	(20)
Net currency translation gain on the UK retail business	**1**	23
Total other recognised losses for the financial year	**9**	(46)
Share-based payments	**17**	16
Net movement in shareholders' funds for the year	**183**	86
Shareholders' funds at beginning of year	**642**	556
Shareholders' funds at end of year	**825**	642

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

In accordance with their duties set out in the Financial Services and Markets Act and the FSA's 'Threshold Condition 4' the Directors have conducted enquiries into the nature and quality of the assets, liabilities, and cash that make up the Company's capital Further more the Directors enquiries extend to the Company's relationship with the Group and external parties on a financial and non-financial level As a consequence of the enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the accounts

Effective 31 December 2010, the Company changed the presentation of its fiduciary balances Consequently, the 2009 balance sheet has been recast to conform to the current year presentation Further details are shown in the accounting policy for fiduciary assets and liabilities

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

Revenue includes insurance commissions, fees for services rendered, certain commissions receivable from insurance carriers and investment income earned on fiduciary balances

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

Fees for risk management and other services are recognised as the services are provided Negotiated fee arrangements for an agreed period covering multiple insurance placements, the provision of risk management and/or other services are determined, contract by contract, on the basis of the relative fair value of the services completed and the services yet to be rendered

Investment income earned on fiduciary balances is recognised on an accruals basis

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

1. Accounting policies (continued)

Finance income

Interest receivable and interest payable are accounted for on an accruals basis

Foreign currency translation

The Company has two principal divisions

- Global, which comprises its global specialty and reinsurance operations, and
- Retail, its retail and commercial operations in the United Kingdom

Global represents approximately three quarters of the Company's revenues and Retail approximately one quarter

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

All non-Retail business foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or, in the case of forward contracts in respect of current year income, at the contracted rate Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account

The Company's Retail division operates, and is accounted for, as a separate branch with a sterling reporting currency Consequently, for the purposes of reporting the Retail division within the Company's financial statements, the results of the Retail branch are translated into US dollars at the average exchange rate for the period Translation gains or losses relating to the difference between translating Retails' results at average and closing rates, and the translation at year end exchange rates of Retail's monetary assets and liabilities are recognised through reserves

Intangible assets – goodwill

Goodwill represents the difference between the fair value of the consideration paid for a business or book of business and the aggregate of the fair value of the identifiable assets and liabilities acquired

Goodwill is capitalised and amortised on a straight line basis over its useful economic life, which is determined on the individual circumstances of each business acquired but limited to a maximum period of 20 years Goodwill is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable

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

Freehold buildings	2 per cent per annum
Freehold land	Not depreciated

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

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

1. Accounting policies (continued)

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

Fixed asset investments

Investments in subsidiaries and associates are carried at cost less provision for impairment

Current asset investments

Current asset investments are stated at the lower of cost and net realisable value

Fiduciary assets and fiduciary liabilities

The Company collects premiums from insureds and, after deducting its commissions, remits the premiums to the respective insurers, the Company also collects claims or refunds from insurers on behalf of insureds

Effective 31 December 2010, the Company changed the presentation of its fiduciary balances to better reflect the impact fiduciary balances have on the balance sheet and to increase consistency with Group reporting Fiduciary debtors (or creditors), previously held within trade debtors (or creditors), are now recorded as fiduciary assets (or liabilities) on the Company's balance sheets Fiduciary funds, previously held within deposits and cash, are separately identified on the balance sheet as 'deposits and cash held in fiduciary capacity' Balances arising from insurance brokerage transactions are reported as separate assets or liabilities unless such balances are due to or from the same party and a right of offset exists, in which case the balances are recorded net

Fiduciary assets

Uncollected premiums from insureds and uncollected claims or refunds from insurers ('fiduciary debtors') are recorded as fiduciary assets on the Company's balance sheets In certain instances, the Company advances premiums, refunds or claims to insurance underwriters or insured's prior to collection Such advances are made from fiduciary funds and are reflected in the Company's balance sheets as fiduciary assets

Fiduciary liabilities

The obligations to remit fiduciary funds to insurers or insureds are recorded as fiduciary liabilities on the Company's balance sheets The period for which the Company holds such funds is dependent upon the date the insured remits the payment of the premium to the Company and the date the Company is required to forward such payment to the insurer

Fiduciary funds

Unremitted insurance premiums and claims are recorded within fiduciary funds Fiduciary funds are generally required to be kept in certain regulated bank accounts subject to guidelines which emphasise capital preservation and liquidity, such funds are not available to service the Company's debt or for other corporate purposes Not withstanding the legal relationships with clients and insurers, the Company is entitled to retain investment income earned on fiduciary funds in accordance with industry custom and practice and, where mandated by FSA regulation, as supported by agreements with insureds

Included in fiduciary funds is cash

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

1. Accounting policies (continued)

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 Company's defined benefit scheme is funded, with the assets of the scheme held separately from those of the Company, in separate trustee-administered funds Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities The actuarial valuations are obtained at least triennially and are updated at each balance sheet date The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the Company's balance sheet

Current service costs and gains and losses on settlements and curtailments are charged to operating profit, net of the amounts borne by fellow subsidiary undertakings, and are included within staff costs within 'Operating expenses' The interest cost and the expected return on assets are charged as a net amount to 'Finance income, net'

Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses and are measured on an actuarial basis using the projected unit credit method and several actuarial assumptions The most significant of which are the discount rate and the expected long-term rate of return on plan assets Other material assumptions include rates of participant mortality, the expected rate of increase in salaries and pensions and rates of employee termination Gains and losses occur when the actual experience differs from actuarial assumptions and are recorded within the statement of total recognised gains and losses

Defined contribution scheme

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

Share-based payments

The Company's ultimate parent company, Willis Group Holdings plc, issues equity-settled share-based payments to certain employees of the Company These equity-settled share-based payments are measured at fair value at the date of grant The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group s estimate of shares that will eventually vest

Fair value is measured by use of the Black-Scholes pricing model The expected life of options granted used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations

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

1. Accounting policies (continued)

Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more or less tax, at a future date, at rates expected to apply when they reverse based on current tax rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

Derivative financial instruments

The Company uses derivative financial instruments for other than trading purposes to alter the risk profile of an existing underlying exposure Forward foreign currency exchange contracts are used to manage currency exposures arising from future income Gains or losses based on the contracted rate are recognised on maturity of the contract The Company does not use derivative financial instruments speculatively

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

2. Brokerage and Fees

The table below analyses the Company's brokerage and fees by the accounting address of the client from whom the business is derived This does not necessarily reflect the original source or location of the business Brokerage and fees are attributable to continuing operations

Brokerage and fees	2010 $m	2009 $m
United Kingdom	310	323
North America	130	126
Rest of the world	413	359
	853	808

No further segmental analysis has been provided as the Directors of the company are of the opinion that the profit before taxation and the net assets of the business can not be allocated between geographical area on a meaningful basis

3. Operating profit

	2010 $m	2009 $m
Operating profit is stated after charging		
Depreciation of owned tangible fixed assets	2	-
FSA regulatory settlement (note 28)	11	-
Amortisation of goodwill	15	12
Current service cost of pension schemes		
- defined benefit scheme	36	28
- defined contribution scheme	10	7
Currency translation adjustments	19	28

The foreign exchange loss of $19 million (2009 loss of $28 million) shown in the profit and loss account is mainly attributable to the fluctuation in the value of sterling to the US dollar and the Euro during the year in relation to intercompany assets and liabilities

Auditors' remuneration of £540,000 ($835,000) (2009 £540,000 ($845,000)) was borne by another Group company

4. Employee costs

	2010 $m	2009 $m
Salaries	386	389
Social security costs	37	37
Pension costs		
- defined benefit scheme	36	28
- defined contribution scheme	10	7
	469	461
Amounts borne by fellow subsidiary undertakings	(65)	(60)
	404	401

Cash retention awards

The Company makes annual cash retention awards to its employees Employees must repay a proportionate amount of these awards if they voluntarily leave the Company's employ (other than in the event of retirement or permanent disability) before a certain time period, currently up to three years. The Company 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

4. Employee costs (continued)

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 $m	2009 $m
Cash retention awards made	79	111
Amortisation of cash retention awards included in salaries	37	34

At 31 December 2010 unamortised cash retention awards totalled $61million (2009 $38 million)

Number of employees – average for the period	2010 Number	2009 Number
Producer	667	626
Client services	1,811	1,817
Management / administration services	1,005	1,001
	3,483	3,444

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

Pension costs for the defined benefit scheme include only those items included within operating expenses Further details of those items and those recorded in net finance charges and the statement of total recognised gains and losses are presented in note 22 With effect from April 2009, the Company offered employees an alternative basis on which to fund contributions into the UK pension plans, called Salary Plus Employees can now agree to sacrifice an amount of their salary and in return the Company makes an additional pension contribution on their behalf, equivalent to the value of the salary sacrificed From a payroll tax perspective, this is a more efficient method of making pension contributions

A number of the Company's employees are seconded to other subsidiary undertakings within the Group The employment costs of those employees, including salaries, social security and pension costs, are borne and accounted for by those subsidiary undertakings

The Company recognised total expense in 2010 of $17 million (2009 $16 million expense) related to equity-settled share-based payment transactions to employees (these are included within salaries above) Further details are presented in note 27

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

5. Directors' remuneration	2010 $000	2009 $000
Emoluments (excluding pension contributions, benefits and long-term incentive awards)	7,242	6,616
Benefits	77	123
Pension contributions	495	592
	7,814	7,331
Highest paid Director		
Emoluments (excluding pension contributions and long-term incentive awards)	1,825	1,215
Pension contributions	69	93
	1,894	1,308
Accrued annual defined pension	46	13

	2010 Number	2009 Number
Directors exercising share options	-	1
Directors receiving shares under long-term incentive plans	7	-
Directors eligible for defined benefit pension schemes	5	6

S P Hearn who was appointed to the board during the year is remunerated by another Group company with no part of his remuneration allocated to the Company As such no disclosure of his remuneration has been made

6 Finance income, net	2010 $m	2009 $m
Interest and investment income		
Interest payable to Group undertakings	(1)	(1)
Bank loans and overdrafts	(1)	-
Other interest receivable	-	4
	(2)	3
Other finance income/(charges)		
Expected return on pension scheme assets (note 22)	140	114
Interest on pension scheme liabilities (note 22)	(98)	(95)
	42	19
Finance income, net	40	22

7. Tax on profit on ordinary activities	2010 $m	2009 $m
(a) Analysis of charge for the year		
Current tax:		
UK corporation tax on profit at 28% (2009 28%)	47	26
Adjustments in respect of prior periods	2	1
Foreign tax	1	1
Total current tax (note 7(b))	50	28
Deferred tax:		
Origination and reversal of timing differences	12	41
Total deferred tax (note 15)	12	41
Tax on profit on ordinary activities	62	69

(b) Factors affecting current tax for the year

The tax assessed for the year is lower (2009 lower) than the standard rate of corporation tax in the UK (28%) (2009 28%) The differences are explained below

	2010 $m	2009 $m
Profit on ordinary activities before taxation	219	185
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	61	52
Effects of		
Permanent differences (primarily goodwill amortisation & regulatory settlement)	8	5
Adjustment in respect of employee share benefit scheme	4	3
Timing difference on pension contributions	(25)	(22)
Adjustment in respect of prior periods	2	1
2008 tax losses utilised against 2009 profit	-	(11)
Total current tax charge for the year (note 7(a))	50	28

(c) Circumstances affecting current and future tax charges

The Government announced in June 2010 that it intended to reduce the rate of UK corporation tax from 28% to 24% over four years Consequently the Finance Act 2010, which was substantively enacted in July 2010, included provisions to reduce the rate of UK corporation tax to 27% with effect from 1 April 2011 Accordingly, deferred tax balances have been revalued to the lower rate of 27% in these accounts

On 23 March 2011, the Government announced that it intends to further reduce the rate of UK corporation tax to 26% with effect from 1 April 2011 and then by 1% per annum to 23% by 1 April 2014 As this legislation was not substantively enacted by 31 December 2010, the impact of these further anticipated rate changes is not reflected in the tax provisions reported in these accounts

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

8 Intangible assets – goodwill	2010 $m
Cost or valuation	
1 January 2010	187
Additions (i)	14
31 December 2010	201
Amortisation	
1 January 2010	88
Charge for the year	15
31 December 2010	103
Net book value 31 December 2010	98
Net book value 31 December 2009	99

(i) Additions

On 16 December 2010 the Company finalised its purchase of a book of business from Glencairn Limited, a fellow Group undertaking, in an arm's length transaction for a consideration of $13 8 million

9 Tangible fixed assets

	Freehold land and buildings $m
Cost or valuation	
1 January 2010	-
Additions	23
31 December 2010	23
Depreciation	
1 January 2010	-
Provision for the year	2
31 December 2010	2
Net book value 31 December 2010	21
Net book value 31 December 2009	-

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

9 Tangible fixed assets (continued)

On 29 January 2010 the Company acquired two freehold properties from Willis Group Services Limited, a fellow Group undertaking, in an arm's length transaction for consideration of £15 million ($23 million), the agreed market value

10. Investments held as fixed assets

	Subsidiary Undertaking (note 11) $m	Associate undertaking (note 12) $m	Total $m
Cost			
1 January 2010	2	-	2
Additions [(i)]	-	1	1
31 December 2010	2	1	3

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

(i) Additions

On 9 February 2010 the Company acquired a 25% interest in Teesside Insurance Consultants Limited for consideration of £480,000 ($752,000)

11. Shares in subsidiary undertakings

The principal subsidiary undertaking at 31 December 2010 was

	Percentage of share capital held	Class of share	Country of incorporation
Insurance Broking			
Special Contingency Risks Limited	100%	Ordinary of £1 each	United Kingdom

The Company is exempt from the obligation to prepare group financial statements in accordance with Section 400 of the Companies Act 2006 as the Company is a wholly-owned subsidiary of Willis Group Holdings plc, in whose financial statements it is consolidated These financial statements relate to the Company only and not to its Group

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

12. Shares in associate undertaking

The principal associate undertaking at 31 December 2010 was

	Percentage held	Country of incorporation
Insurance Broking		
Teesside Insurance Consultants Limited	25%	United Kingdom

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

13. Debtors

	2010 $m	2009 $m
Amounts falling due within one year.		
Trade debtors	178	171
Amounts owed by Group undertakings	295	476
Other debtors	1	3
Prepayments and accrued income	56	40
Retention Awards	45	30
Errors and omissions insurance recoverable	14	54
	589	774
Amounts falling due after more than one year.		
Trade debtors	2	-
Amounts owed by Group undertakings	-	3
Retention Awards	16	8
Deferred tax asset (note 15)	10	3
	28	14
	617	788

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

14. Fiduciary assets, deposits and cash	2010 $m	2009 $m
Amounts falling due within one year		
Trade debtors	3,068	2,896
Amounts owed by Group undertakings	706	631
Amounts owed by associate undertakings	44	56
	3,818	3,583
Deposits and cash held in fiduciary capacity	976	902
	4,794	4,485

Accrued interest on Deposits and cash is recorded within prepayments and accrued income

15 Deferred tax	2010 $m	2009 $m
Deferred tax has been provided in full in respect of assets/liabilities arising from the following timing differences		
Included in debtors (note 13)	10	3
Included in pension asset (note 22)	(58)	(28)
	(48)	(25)
Deferred tax consists of		
Timing difference on pension asset	(58)	(28)
Timing difference on share-based payments	7	2
Timing difference on general provisions	3	1
	(48)	(25)
At 1 January	(25)	(7)
Deferred tax charge in profit and loss account (note 7(a))	(12)	(41)
Deferred tax credit/(charge) in statement of recognised gains and losses	(10)	19
Exchange adjustment	(1)	4
At 31 December	(48)	(25)

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

16. Creditors: amounts falling due within one year	2010 $m	2009 $m
Trade creditors	20	9
Amounts owed to Group undertakings	11	227
Amounts owed to Group undertakings in respect of group relief	46	26
Other creditors	14	4
Accruals and deferred income	85	84
	176	350

During the year the Company took out a $20 million revolving credit facility which remains un-drawn as at 31 December 2010 The facility is secured by mortgages over the Company's freehold properties

17. Fiduciary liabilities: amounts falling due within one year	2010 $m	2009 $m
Trade creditors	4,519	4,178
Amounts owed to Group undertakings	243	289
Amounts owed to associate undertakings	32	18
	4,794	4,485

18. Creditors: amounts falling due after more than one year	2010 $m	2009 $m
Trade creditors	7	-
Amounts owed to Group undertakings	-	23
	7	23

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

19. Provisions for liabilities	Claims and lawsuits
	$m
1 January 2010	17
Charged to profit and loss account	(4)
Utilised in the year	(12)
31 December 2010	1

Errors and omissions provision

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

20. Called up share capital	2010 Number (million)	2009 Number (million)
Authorised share capital		
Ordinary shares of £1 each	105	105
	2010 $m	2009 $m
Allotted, called up and fully paid		
105,000,000 (2009 105,000,000) ordinary shares of £1 each	153	153

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

21. Profit and loss reserve

	$m
1 January 2010	**489**
Profit on ordinary activities after taxation	**157**
Actuarial gain on the pension scheme (net of tax)	**17**
Pensions STRGL UK deferred tax adjustment due to rate change	**(3)**
Net effect of exchange rate movements on pension	**(6)**
Net effect of exchange rate movements on Sterling functional unit	**1**
Share based payments	**17**
31 December 2010	**672**

Net of pension asset

Profit and loss reserve excluding pension asset	**516**
Amount relating to defined benefit pension scheme asset, net of related deferred tax (note 22)	**156**
Profit and loss reserve	**672**

22. Pensions

Defined Benefit Pension Scheme

The Company operates a defined benefit pension scheme in the UK on behalf of its employees and employees working for or seconded to other subsidiary companies of Willis Group Holdings plc This scheme was closed to new entrants in January 2006 A full actuarial valuation was carried out at 31 December 2007 and updated to 31 December 2010 by a qualified actuary The major assumptions used for the actuarial valuation were

	2010	2009	2008
	%	%	%
Rate of increase in salaries	**2 6**	2 5	3 5
Rate of increase in pensions in payment (LPI 5%)	**3 5**	3 5	3 0
Rate of increase in pensions in payment (LPI 2 5%)(i)	**2 2**	2 4	2 3
Discount rate	**5.5**	5 8	6 5
Inflation assumption (RPI)	**3 6**	3 6	3 0
Inflation assumption (CPI)	**2.8**	-	-
Mortality (ii)	**PNA00 YoB MC**	PNA00 YoB MC	PNA00 YoB MC

(i) Based on CPI inflation
(ii) PNA00 represents a mortality table, YoB is year of birth and MC is medium cohort

As an indication of longevity assumed, the Company's calculations assume that a UK male retiree aged 65 at 31 December 2010 would have a life expectancy of 22 years

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

22. Pensions (continued)

Analysis of the amount charged to operating profit·	2010	2009
	$m	$m
Current service cost	36	28

Analysis of the amount credited to net finance charges·	2010	2009
	$m	$m
Expected return on pension scheme assets	140	114
Interest on pension scheme liabilities	(98)	(95)
	42	19

Analysis of the actuarial gain/(loss) in the statement of total recognised gains and losses.	2010	2009
	$m	$m
Actual return less expected return on pension scheme assets	103	137
Experience gains and losses arising on the scheme liabilities	-	(3)
Changes in assumptions underlying the present value of the scheme liabilities	(79)	(202)
	24	(68)

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 is $431 million (2009 $455 million)

Analysis of amounts included in the balance sheet·	2010	2009
	$m	$m
Fair value of scheme assets	2,085	1,880
Present value of scheme liabilities	(1,871)	(1,780)
Surplus	214	100
Related deferred tax liability	(58)	(28)
Net pension asset	156	72

Movements in fair value of scheme assets during the year	2010	2009
	$m	$m
At 1 January	1,880	1,497
Expected return on pension scheme assets	140	114
Contributions from the Company	88	47
Contributions from the scheme members	2	4
Benefits paid	(73)	(62)
Actuarial gain	103	137
Exchange adjustments	(55)	143
At 31 December	2,085	1,880

22. Pensions (continued)

Movements in present value of scheme liabilities during the year	**2010**	2009
	$m	$m
At 1 January	**1,780**	1,364
Service cost	**36**	28
Interest cost	**98**	95
Contributions from the scheme members	**2**	4
Benefits paid	**(73)**	(62)
Actuarial loss	**79**	205
Exchange adjustments	**(51)**	146
At 31 December	**1,871**	1,780

Analysis of scheme assets and expected return	Expected return		Fair value of assets	
	2010	2009	**2010**	2009
	%	%	**$m**	$m
Equity instruments	**8.58**	8.85	**1,416**	1,350
Debt instruments	**4.18**	4.65	**540**	448
Other	**5.40**	5.80	**129**	82
	7.20	7.10	**2,085**	1,880

The actual return on scheme assets for the year ended 31 December 2010 was a gain of $238 million (2009 gain of $251 million)

With effect from April 2009, the Company offered employees an alternative basis on which to fund contributions into the UK pension plans Employees can now agree to sacrifice an amount of their salary and in return the Company makes additional pension contributions on their behalf, equivalent to the salary sacrificed From a payroll tax perspective, this is a more efficient method of making pension contributions As a result of this change, the Company made additional pension contributions of $10 million (2009 $8 million), with a marginally higher savings in salaries and payroll taxes

Where investments are held in bonds and cash, the expected long-term rate of return is taken to be the yields generally prevailing on such assets at the measurement date Expected returns on equities, hedge funds and property funds reflect the Company's view of a risk premium above long-term risk-free rates The overall expected long-term rate of return on assets is the average of these rates taking into account the actual assets held at the reporting date

22. Pensions (continued)

History of experience of gains and losses.

	2010	2009	2008	2007	2006
	$m	$m	$m	$m	$m
Fair value of scheme assets	2,085	1,880	1,497	2,500	2,267
Present value of scheme liabilities	(1,871)	(1,780)	(1,364)	(2,050)	(2,056)
Surplus	214	100	133	450	211
Actual return less expected return on plan assets					
Amount ($m)	103	137	(761)	(83)	(2)
Percentage of scheme assets	5%	7%	(51%)	(3%)	-
Experience gains and losses on scheme liabilities					
Amount ($m)	-	(3)	11	(16)	-
Percentage of the present value of the scheme liabilities	0%	1%	1%	(1%)	-

The contribution paid by the Company for 2010 was £50 million ($78 million), £25 million per the regular funding agreement and a further £25 million for not having met funding targets. The Company has agreed with the Trustee of the UK Pension Scheme that contributions will be £25 million per annum for 2009 and for a further five years In addition, as certain funding targets have not been met at the beginning of 2011, a further contribution of £25 million is required for 2011 A similar, additional contribution may also be required for 2012, depending on actual performance against funding targets at the beginning of 2012

Defined Contribution Scheme

The Company has operated a defined contribution scheme for new entrants since 1 January 2006 The Company recognised an expense in 2010 of $10 million (2009 $7 million) representing contributions payable to the scheme

23. Forward sale of currency

In its London market operations, the Company earns revenues in a number of different currencies, principally US dollars, pound sterling, Euros and Japanese Yen, but incurs expenses almost entirely in pounds sterling

We hedge the risk as follows

- To the extent that forecast pound sterling expenses exceed pound sterling revenues, the Company limits its exposure to this exchange rate risk by the use of forward contracts matched by specific, clearly identified cash outflows arising in the ordinary course of business, and
- The Company also earns significant revenues in Euros and Japanese Yen The exposure to changes in the exchange rate between the US dollar and these currencies is limited by the use of forward contracts matched to a percentage of forecast cash inflows in specific currencies and periods

The Group's currency management operations are operated by another Group undertaking That other Group undertaking has entered into forward contracts for the purchase / sale of foreign currencies in accordance with this policy on behalf of the Company The net fair value of the forward contracts is $nil (2009 $nil)

These forward contracts are summarised below

Contracts maturing:	Purchase GBP Mill/Rate to USD	Sale Euros Mill/Rate to USD	Sale JPY Mill/Rate to USD
1 January 2011 to 31 December 2011	136 6m/1 53019	62 0m/1 39415	2,450 0m/91 90414
1 January 2012 to 31 December 2012	60 0m/1 50985	44 0m/1 38861	2,000 0m/86 54008
1 January 2013 to 31 December 2013	10 0m/1 49060	7 0m/1 38190	1,250 0m/82 44320

24. Contingent liabilities

The Company has given guarantees and indemnities to bankers and other third parties amounting to $nil (2009 $113,000)

Claims, lawsuits and other proceedings

The Company is subject to various actual and potential claims, lawsuits and proceedings relating principally to alleged errors and omissions in connection with the placement of insurance and reinsurance in the ordinary course of business

Most of the claims, lawsuits and proceedings arising in the ordinary course of business are covered by professional indemnity or other appropriate insurance In respect of insurance deductibles the Company has established provisions against these items which are believed to be adequate in the light of current information and legal advice, and the Company adjusts such provisions from time to time according to developments On the basis of current information, the Company does not expect that the ultimate outcome of the actual claims, lawsuits and proceedings to which the Company is subject, or potential claims, lawsuits or proceedings, either individually or in the aggregate, will have a material adverse effect on the Company's financial condition, results of operations or liquidity

25 Directors' interests in contracts

The Company and other insurance broking subsidiary undertakings of Willis Group Holdings plc place risks with syndicates in which the Directors or connected persons (as defined in Section 252 of the Companies Act 2006) participate in the normal course of their broking activities on the same basis as they do with other Lloyd's syndicates

26. Related party transactions

During the year the Company transacted in the ordinary course of business brokerage with associated undertakings listed below Amounts owed by and to Group associated undertakings are disclosed in notes 14 and 17 These amounts all relate to trading

	2010	2009
	$m	$m
Gras Savoye SA	2	5
Willis India Insurance Brokers Private Limited	4	3
Willis (Malaysia) Sdn Bhd	1	2
Al Futtaim Willis LLC	2	2
	9	12

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

27 Share based payments

Share-based Plans

On 31 December 2010, Willis Group Holdings plc, the ultimate parent company of Willis Limited, had a number of open share-based compensation plans, which provide for the grant of time-based and performance-based options, restricted stock units and various other share-based grants to employees of Willis Limited The objectives of these plans include attracting and retaining the best personnel, motivating management personnel by means of growth-related incentives to achieve long-range goals and providing employees with the opportunity to increase their share ownership in Willis Group Holdings plc

The Company recognised total operating expense in 2010 of $17 million (2009 $16 million) related to equity-settled share-based payment transactions

2001 Share Purchase and Option Plan

This plan, which was established on 3 May 2001, provides for the granting of time-based options, restricted stock units and various other share-based grants at fair market value to employees of the Group There are 25,000,000 shares available for grant under this plan Options are exercisable on a variety of dates, including from the first, second, third, sixth or eighth anniversary of grant, although for certain options the exercisable date may accelerate depending on the achievement of certain performance goals The 2001 Plan (and all sub-plans) expired 10 years after the date of its adoption That termination will not affect the validity of any grant outstanding at that date

27 Share based payments (continued)

2008 Share Purchase and Option Plan

This plan, which was established on 23 April 2008, provides for the granting of time and performance based options, restricted stock units and various other share-based grants at fair market value to employees of the Group There are 8,000,000 shares available for grant under this plan Options are exercisable on a variety of dates, including from the third, fourth and fifth anniversary of grant Unless terminated sooner by the Board of Directors of Willis Group Holdings plc, the 2008 Plan will expire 10 years after its adoption That termination will not affect the validity of any grant outstanding at that date

Option Valuation Assumptions

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model that uses the assumptions noted in the following table Expected volatility is based on historical volatility of Willis Group Holdings plc's shares The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations The risk-free rate for periods within the expected life of the option is based on the U S Treasury yield curve in effect at the time of grant

	2010	2009
Weighted average share price	**$30.84**	$25 99
Weighted average exercise price	**$30 52**	$25 69
Expected volatility	**32%**	32%
Expected dividends	**3.4%**	3 9%
Expected life (years)	**5**	5
Risk-free interest rate	**2.27%**	3 08%

A summary of option activity under the plans at 31 December 2010 and 2009, and changes during the years then ended is presented below

	2010		2009	
(Options in thousands)	**Number of options**	**Weighted Average Exercise Price[(1)]**	Number of options	Weighted Average Exercise Price[(1)]
Time-based options				
Outstanding at 1 January	**5,978**	**$33.26**	6,915	$33 89
Granted	**185**	**$29.04**	447	$25 37
Exercised	**(114)**	**$26.79**	(100)	$4 63
Forfeited	**(350)**	**$32.18**	(1,165)	$36 29
Expired	**(99)**	**$28.84**	(119)	$29 85
Outstanding at 31 December	**5,600**	**$33 40**	5,978	$33 35
Exercisable at 31 December	**3,743**	**$33 91**	3,257	$33 67
Performance-based options				
Outstanding at 1 January	**3,667**	**$31 50**	1,923	$36 36
Granted	**495**	**$31 08**	1,774	$26 32
Forfeited	**(293)**	**$31 51**	(30)	$37 06
Outstanding at 31 December	**3,869**	**$31.44**	3,667	$31 50
Exercisable at 31 December	**-**	**-**	-	-

[(1)]Certain options are exercisable in pounds sterling and are converted to dollars using the exchange rate at 31 December 2010 or 2009, respectively

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

27. Share based payments (continued)

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2010 was $26 39

Details of the range of exercise prices and the weighted average contractual life of share options outstanding at 31 December 2010 are as follows

Range of exercise prices [1]	Options outstanding (thousands)	Weighted average remaining contractual life
$13 50	5	0 5 years
$23 32 - $29 08	2,597	5 2 years
$30 49 - $34 90	3,585	4 7 years
$35 58 - $39 96	2,737	4 2 years
$40 03 - $43 66	545	5 1 years
	9,469	4 6 years

[1]Certain options are exercisable in pounds sterling and are converted to dollars using the exchange rate at 31 December 2010 or 2009, respectively

A summary of restricted stock unit activity under the plans at 31 December 2010, and changes during the year then ended is presented below

	Shares (thousands)	Weighted average grant date fair value
Non-vested shares (restricted stock units)		
Outstanding at 1 January 2010	849	$28 64
Granted	35	$30 93
Vested	(314)	$30 38
Forfeited	(76)	$27 18
Outstanding at 31 December 2010	494	$27 92

28. Events after the balance sheet date

On 10 January 2011, PA Owens was appointed as Director of the Company

On 5 May 2011, D B Margrett stepped down as Chief Executive Officer and was succeeded in that role by B J McManus

On 5 August 2011, DB Margrett stepped down as Chairman of the Company and was succeeded in that role by RP Baker-Bates who was appointed as a Director on that day At the date of signing the Company's Financial Statements RP Baker-Bates was Chairman of the Company

As of 1 April 2011 Willis Ltd has been joined in its parent company's, Willis Group Holdings plc, ongoing litigation in the Federal Court in Texas with Stanford Financial Group The Company disputes any allegations and intends to defend itself vigorously against all actions The outcome of these actions, however, including losses or other payments that may occur as a result, cannot be predicted at this time

During 2010, the Financial Services Authority (the "FSA") conducted an investigation of some of our compliance systems and controls between 2005 and 2009 On July 21, 2011, the Company and the FSA announced a settlement under which the FSA concluded its investigation by assessing a £6 895 million ($11 147 million) fine on the Company for lapses in the implementation and documentation of its controls to counter the risks of improper payments being made to non-FSA authorized overseas third parties engaged to help win business, particularly in high risk jurisdictions A provision for the regulatory settlement was recognised in the Company's accounts as at 31 December 2010

As a result of the FSA settlement, the Company will be conducting an internal review of all payments made between 2005 and 2009