

WILLIS LIMITED

Registered Number 0181116

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Directors

Executive Directors

James ED Vickers

Neil P Perry

Claire Powell

Nicolas Aubert (appointed 30 September 2015)

Catherine Roy (appointed 11 November 2015)

John P Cavanagh (appointed 12 January 2016)

Alastair JP Swift (appointed 8 June 2016)

Non-executive Directors

Alan P Dickinson

David V Paige

Rodney P Baker-Bates (Chairman)

Sir Jeremy Hanley

Sarah J Turvill

Secretary

Alistair C Peel

Registered Office

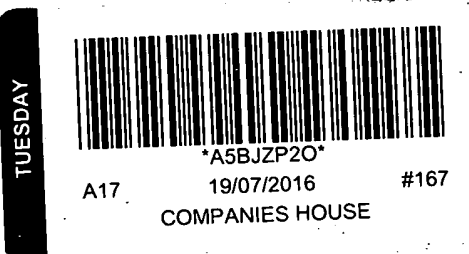
51 Lime Street

London, EC3M 7DQ

Auditor

Deloitte LLP

London





WILLIS LIMITED
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WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

Company activities and review of developments

The Company's business model

The Company is a subsidiary of Willis Towers Watson plc (formerly Willis Group Holdings plc). Willis Towers Watson plc, together with its subsidiaries ("the Group"), is one of the world's leading professional service providers of risk management, insurance broking, consultancy, technology and solutions and private exchange services.

The Company provides risk management, insurance and reinsurance broking services to clients in the UK and worldwide. The Company is regulated by the Financial Conduct Authority ("FCA").

On 4 January 2016 a merger was completed between Willis Group Holdings plc and Towers Watson and Co. plc ("Towers Watson"), following which Willis Group Holdings plc became the ultimate parent company of the collective Group and was renamed "Willis Towers Watson plc". The integration of Willis and Towers Watson (together, the "Legacy Companies") is underway, and from 1 April 2016 the Group will manage and report operating results across four integrated business segments: Corporate Risk and Broking; Exchange Solutions; Human Capital and Benefits; and Investment, Risk and Reinsurance.

For the year ended 31 December 2015 and until 1 April 2016, the Group and the Company continued to be managed and operated under the existing Legacy operating units. For Legacy Willis, this is the four operating units of Willis International; Willis North America; Willis Capital, Wholesale and Reinsurance ("Willis CWR"); and Willis Great Britain ("Willis GB").

There have been no significant changes in the Company's principal activities in 2015. Other than the changes in classifications of segmental reporting noted above, 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.

During 2015, the activities of the reporting units were as follows:

- **Willis International**

Comprises our operations in Western Europe, Central and Eastern Europe, Asia, Australasia, the Middle East, South Africa and Latin America. Services provided vary by region but include direct risk management and insurance brokerage, specialist and reinsurance brokerage, and employee benefits consulting. The Company's activities in relation to International include certain central revenues and costs.

- **Willis North America**

Provides risk management, insurance brokerage, related risk services, and employee benefits brokerage and consulting to a wide array of industry and client segments in the United States and Canada. The Company's activities in relation to Willis North America include certain central revenues and costs.

- **Willis Capital, Wholesale and Reinsurance (Willis CWR)**

Includes Willis Re, Willis Capital Markets & Advisory and the Group's wholesale business including the operations of Miller Insurance Services LLP, a wholesale broker acquired by the Group during 2015, and Willis Portfolio and Underwriting Services which includes all of the Group's activities that provide these services. Miller Insurance Services LLP ("Miller") operates as a separate business from the Company, and on its acquisition on 31 May 2015 Miller transferred certain brokerage activities to the Company, and the Company transferred certain wholesale businesses to Miller, including its investment in Special Contingency Risks Limited. These transfers were made at market value.

Capital, Wholesale and Reinsurance contains the Company's reinsurance and wholesale activities as follows:

Willis Re

The business is operated on a global basis and provides a complete range of transactional capabilities, including, in conjunction with Willis Capital Markets and Advisory Limited (a fellow Group undertaking), a wide variety of capital markets based products to both insurance and reinsurance companies. Willis Re's services are underpinned by leading modelling, financial analysis and risk management advice. We bolster and enhance all of these services with knowledge derived from our partnership with global academic research, the Willis Research Network. The Company includes the UK based operations (incorporating some non-UK branch offices) of Willis Re.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

Company activities and review of developments (continued)

The Company's business model (continued)

Wholesale

The unit includes the Group's Fine Art, Jewelry and Specie, cedant facultative businesses and (up until their transfer to Miller on 31 May 2015) Special Contingency Risks businesses. The Fine Art, Jewelry and Specie business provides specialist risk management, insurance and reinsurance services to fine art, diamond and jewelry businesses and armoured car operators. Special Contingency Risks provides personal accident insurance services, operating alongside the Group's specialist people risk solutions insurance intermediary Special Contingency Risks Limited, a fellow Group Company. The Company operates a proportion of the Group's UK based wholesale operations.

- **Willis GB**

Includes the Group's UK retail business, facultative business and London Specialty business organised into four business units:

Transport

Includes our market leading Aerospace and Marine London Specialty businesses together with our UK Transport industry practice.

We are highly experienced in the provision of insurance and reinsurance brokerage and risk management services to Aerospace clients worldwide, including aircraft manufacturers, air cargo handlers and shippers, airport managers and other general aviation companies. Advisory services provided by Aerospace include claims recovery, contract and leasing risk management, safety services and provision of market research. Aerospace's clients include approximately one third of the world's airlines. The specialist Inspace division is also prominent in providing insurance and risk management services to the space industry.

Our Marine unit provides marine insurance and reinsurance brokerage services, including hull, cargo and general marine liabilities. Marine's clients include ship owners, ship builders, logistics operators, port authorities, traders and shippers, other insurance intermediaries and insurance companies.

Through our UK Transport industry practice we provide insurance and risk management advisory services and brokerage to bus and rail companies based in the UK.

Property and Casualty

This unit includes our Construction, Property and Casualty, Natural Resources, Facultative and UK Large Accounts businesses.

Our Construction practice provides risk management advice and brokerage services for a wide range of UK and International construction activities. The clients of the Construction practice include contractors, project owners, project managers, project financiers, professional consultants and insurers. We are the broker for a number of the leading global construction firms.

Our Property and Casualty unit provides the Group's retail clients with access to global insurance markets, providing structuring and placing services supported by specialist knowledge and expertise across a variety of industries in large and complex property and casualty risk exposures.

Our Energy practice provides insurance brokerage services including property damage, offshore construction, liability and well control and pollution insurance to the energy industry. Our Energy practice clients are worldwide. We are highly experienced in providing insurance brokerage for all aspects of the energy industry including exploration and production, refining and marketing, offshore construction and pipelines.

Our Facultative unit provides facultative and wholesale solutions for property and casualty, health and specialty insurances to independent wholesale brokers worldwide who need solutions provided through the global insurance markets. Facultative broking services are provided to cedant insurers through the Capital, Wholesale and Reinsurance segment.

Our UK large accounts business serves large corporate businesses seeking UK based expertise in insurance broking and risk management services. We work with other Group undertakings to provide services to those clients on a global basis.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

Company activities and review of developments (continued)

The Company's business model (continued)

Financial Lines

The Financial Lines unit contains our Financial Solutions and Financial and Executive Risks businesses.

Financial Solutions is a global business unit which incorporates our Political and Credit Risk businesses, as well as structured finance and project risk consulting teams. It also includes specialist trade credit, contingent aviation and mortgage teams.

Financial and Executive Risks specialises in broking directors' and officers' insurance as well as professional indemnity insurance for corporations, financial institutions and professional firms.

Retail Networks

The Willis GB Retail Network includes our offices around Great Britain, our Commercial Network and Insolvency businesses. The UK Employee Benefit business also reports in this unit but is operated by other Group undertakings.

The Company's operations incorporate the majority of Willis GB.

The remaining activities of these reporting units operate through other Group undertakings. The Company is also the main employer of associates based in the UK, recharging those costs to other Group companies as appropriate and agreed with them.

Strategy

During 2015 the Group's strategy focused on four key pillars; growth of existing business organically through the "Connecting Willis" initiative; strategic mergers and acquisitions to add geographic reach, industry expertise, new product offerings and analytic capabilities; operational improvement to underpin growth; and, commitment to values and behaviours to attract and retain the best and most diverse talent.

From 1 January 2016 the Company has aligned its strategy with the new Willis Towers Watson Group strategy. The Group sees that a unified approach to people and risk can be a path to growth for our clients. Our integrated teams bring together our understanding of risk strategies, and market analytics. This helps clients around the world to achieve their objectives.

We operate in attractive markets - both growing and mature - with a diversified platform across geographies, industries, segments and lines of business. We aim to create and become the premier advisory, broking and solutions company of choice globally. We design and deliver solutions that manage risk, optimise benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. We will also help organisations improve performance through effective people, risk and financial management by focusing on providing human capital and financial consulting services.

We will achieve this by:

- Delivering a powerful client proposition with an integrated global platform. Our highly complementary offerings provide comprehensive advice, analytics, specialty capabilities and solutions covering benefits, exchange solutions, brokerage, claims and advisory, risk and capital management and talent and rewards;
- Leveraging our combined distribution strength and global footprint to enhance market penetration and provide a platform for further innovation; and
- Underpinning this growth through continuous operational improvement initiatives that help make us more effective and efficient and drive cost synergies. We do this by:
 - continuing to modernise the way we run our business to better serve our clients, enabling the skills of our staff, and lowering our costs of doing business; we do this through an operational improvement program that is making changes to our processes, our IT, our real estate and our workforce location; and
 - targeting and delivering identified, highly achievable cost savings as a direct consequence of the merger of Willis and Towers Watson.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

Company activities and review of developments (continued)

Strategy (continued)

We care as much about how we work as we do about the impact that we make. This means commitment to our aligned cultures and shared values and behaviours of our legacy companies, a framework that guides how we run our business and serve clients.

Through these strategies the Group aims to accelerate revenue, cash flow, EBITDA and earnings growth and generate compelling returns for investors, by delivering tangible revenue growth and capitalising on the identified cost synergies.

The Company will play an integral part in this Group strategy.

Results, key financial highlights and key performance indicators

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

	2015	2014	Movement	% Change
	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	
Turnover	940	1,009	(69)	(7)%
Other operating expenses (including pension past service credit)	(594)	(836)	242	29%
Profit on ordinary activities before taxation	442	220	222	101%
Shareholder's equity	1,263	1,014	249	25%
Current Assets as % of Current Liabilities	111%	110%		
Average number of employees (note 5)	3,341	3,653		

The Group manages its operations on a divisional basis. For this reason, the Company's Directors believe that aggregated key performance indicators for the Company are not meaningful for an understanding of the development, performance or position of the business.

Key performance indicators that are applicable to the Company include:

- *Growth through new business*: The value of new renewable business expressed as a percentage of the total revenue for the period under review;
- *Retention rate*: The rate at which we retain renewable business clients expressed as a percentage of revenue available for renewal;
- *Sales pipeline coverage*: The rate at which our sales pipelines cover our new business targets. We measure these on a net (adjusting for expected conversion rates) and gross basis;
- *Salaries and benefits as a percentage of revenue*: The value of our salary and benefits, including incentives, expense expressed as a percentage of revenue in the same period;
- *Operating income per FTE*: The value of our revenue divided by the average number of FTE across the period under review; and
- *Workforce location ratio*: The proportion of our workforce located in high and low cost business centres.

In 2015, the Company's turnover was \$940 million, a \$69 million (7 percent) decrease on 2014 (\$1,009 million). Growth excluding the impact of foreign exchange fluctuations was a 2 percent decrease on prior year, with the remaining 5 percent reduction driven by adverse foreign exchange fluctuations. The underlying turnover reduction was driven by the net impact of business disposals, contributing approximately \$24 million to the reduction partly offset by a \$1 million increase in interest and investment income.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

Company activities and review of developments (continued)

Results, key financial highlights and key performance indicators (continued)

Operating expenses net of foreign exchange of \$594 million were \$242 million lower than in 2014. The 29 percent decrease includes a \$215 million credit arising from the defined benefit scheme salary freeze. Excluding this item operating expenses decreased by \$27 million primarily in salaries and benefits costs savings driven by the operational improvement program. Salary costs are predominantly incurred in sterling, and salary and benefits expenses were favourably affected by the impact of foreign exchange.

Profit before tax of \$442 million was \$222 million up on prior year, with the impact of the decrease in turnover net of decreased operating expenses (as described above) contributing \$173 million of this increase. The remaining \$49 million profit before tax increase consisted of \$67 million increase in profits on disposals of businesses and \$20 million increase in interest receivable and similar income, partly offset by an increase in restructuring charges of \$27 million, decreased foreign exchange gain of \$10 million and increased interest payable of \$1 million.

The profit on disposal of businesses included the sale of a number of wholesale businesses to Miller Insurance Services LLP, a fellow group undertaking, totalling \$55 million and a number of retail disposals, totalling \$19 million. This compares to a \$7 million profit on disposal of the Belfast business during 2014. The increased interest receivable and other charges includes a \$9 million year on year increase in dividends received from subsidiaries, \$8 million increase in other finance income relating to the defined benefit pension scheme and \$3 million increase on interest from fellow group companies.

Profit after tax of \$386 million increased by \$202 million on 2014 (2014: profit of \$184 million) with increased profit before tax of \$222 million partly offset by a \$20 million increase in the total tax charge. Of the \$20 million tax charge increase \$43 million relates to the defined benefit pension scheme salary freeze. Excluding this item the tax charge decreased by \$23 million.

Shareholder's equity rose by \$249 million to \$1,263 million reflecting net profit after tax of \$386 million, share based payment of \$28 million and a \$29 million actuarial loss on the defined benefit pension plan reduced by a dividend payment of \$150 million during 2015, \$9 million foreign exchange decrease on the pension scheme net asset revalued through other comprehensive income, \$28 million loss on sale/reclassification of forward currency sales and deferred tax decrease to equity of \$7 million. The Directors review the adequacy of the Company's capital relative to the risks it faces on a regular basis.

The \$20 million revolving credit facility, taken out in 2010 and secured against the Company's real estate assets, has not been drawn upon during 2015 or 2014.

Balance sheet

The balance sheet on page 21 of the financial statements shows the Company's financial position at the year end. Net assets have increased by \$249 million as a result of:

- \$251 million increase in the net defined benefit pension asset, of which \$215 million relates to the the scheme salary freeze;
- \$39 million increase in trade debtors;
- \$20 million increase in goodwill and intangibles, driven by the acquisition of books of business from Miller Insurance Services LLP, a fellow Group undertaking, and capitalised software development costs;
- \$14 million increase in cash held in bank including \$19 million increase in cash held in a fiduciary capacity net of a reduction of \$5 million in own cash held;
- \$5 million increase in the remaining net intercompany debtor balance; and
- \$2 million decrease in the total of trade creditors, other creditors and accruals,

partly offset by:

- \$30 million decrease in prepayments and other debtors;
- \$27 million decrease in the net liability of the fair value of derivative instruments;
- \$19 million decrease in net fiduciary liabilities, excluding cash held in a fiduciary capacity;
- \$2 million reduction in investments in subsidiaries following the sale of Special Contingency Risks Limited to Miller Insurance Services LLP, a fellow Group undertaking, during the year;
- \$2 million reduction in tangible fixed assets through depreciation; and
- \$2 million increase in provisions for liabilities driven by \$5 million severance provision in relation to the operational improvement program, partly offset by \$2 million reduction in provisions for claims and lawsuits and \$1 million reduction in provisions for post placement services.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

Company activities and review of developments (continued)

Developments during the year

On 31 May 2015, the Group acquired an 85 percent interest in Miller Insurance Services LLP and its subsidiaries ("Miller"), a leading London wholesale specialist insurance broking firm. The transaction combines the Group's and Miller's wholesale businesses to trade under the Miller brand, governed and regulated as a standalone legal entity and separate Lloyd's broker. The transaction combines those businesses of the Group and Miller that are complementary, and selected broking activities have transferred between the Company and Miller from 31 May 2015. The Company transferred its full investment in its wholly owned subsidiary Special Contingency Risks Limited ("SCR") and the new and renewal business of a number of wholesale books to Miller for proceeds totalling \$95 million. Historical transactions and associated accounting entries continue to be run off in the Company. A charge of \$38 million was incurred on the disposal of goodwill and a disposal of investments in subsidiaries of \$2 million, resulting in an overall net profit of \$55 million from the transaction. On the same date, the Company acquired the new and renewal business of certain Miller retail market-sourced reinsurance activities for \$51 million. The businesses transferred out contributed approximately \$18 million (2014: \$34 million) of turnover during the year. The businesses transferred in contributed approximately \$4 million of turnover during the year.

On 10 April 2015 the Company disposed of the new and renewal business of its commercial network retail operation in Dundee for \$6 million, with historical transactions and associated accounting entries continuing to be run off in the Company. This branch contributed \$3 million (2014: \$3 million) of turnover during the year. A charge of \$1 million was incurred on the disposal of goodwill in relation to this operation, resulting in a net profit of \$4 million after associated other expenses.

On 4 August 2015 the Company disposed of the new and renewal business of its Classic Car portfolio for \$16 million, with historical transactions and associated accounting entries continuing to be run off in the Company. This book contributed \$2 million (2014: \$3 million) of turnover during the year. After transaction expenses of \$1 million, a net profit of \$15 million was recorded.

Defined Benefit Pension Scheme

Salary freeze

On 6 March 2015, Legacy Willis announced to members of the UK defined benefit pension plan that, with effect from 30 June 2015, future salary increases would not be pensionable (the 'salary freeze'). The impact of the salary freeze is to reduce the plan's projected benefit obligation by approximately \$215 million and create a prior service credit which is recognised in the income statement in 2015.

Schedule of contributions

On 31 December 2015, Legacy Willis Group agreed to a revised schedule of contributions towards on-going accrual of benefits and deficit funding contributions the Company will make to the UK Plan to the end of 2024. The revised schedule of contributions replaces the previous agreement and therefore eliminates the clauses over profit share contributions and exceptional return contributions that became payable in certain circumstances.

Based on the revised agreement, Legacy Willis Group contributions in 2016 will total approximately \$83 million being deficit funding contributions of approximately \$53 million, on-going contributions of approximately \$22 million and the final contingent contribution of approximately \$8 million following the share buybacks made in 2015.

Annual Legacy Willis Group deficit funding contributions will reduce to approximately \$22 million for 2017 through 2020 although additional "funding level" contributions may become payable based on funding level assessments made between 31 December 2017 and 31 December 2024. Such additional funding level contributions are capped at approximately \$15 million per annum. From 2021 the annual deficit funding contributions may be ceased, and instead paid into escrow, if the Scheme is ahead of its funding plan.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

Company activities and review of developments (continued)

Operational improvement program

In April 2014, the Group announced an operational improvement program that will allow the Group to continue to strengthen its client service, realise operational efficiencies, and invest in new capabilities for growth.

The main elements of the program include the following:

- movement of support roles from higher cost locations to Willis facilities in lower cost locations, bringing the ratio of employees in higher cost versus lower cost near-shore and off-shore centres from approximately 80:20 to approximately 60:40;
- net workforce reductions in support positions;
- lease consolidation in real estate and reductions in ratios of seats per employee and square footage of floor space per employee; and
- information technology systems simplification and rationalisation.

The programme began in the second quarter of 2014 and is expected to be complete by the end of 2017. The Company will perform an integral role in this operational improvement program in both the Willis CWR and Willis GB segments.

The Company's restructuring costs of \$37 million related to the operational improvement program incurred in 2015 included:

- \$27 million in Willis GB, comprising \$10 million termination benefits and \$17 million professional services and other program costs;
- \$2 million in Willis International, comprising professional services and other program costs;
- \$5 million in Willis CWR, comprising \$4 million termination benefits and \$1 million professional services and other program costs within the Reinsurance division; and
- \$3 million in Corporate and other, comprising professional services and other program costs.

These costs are in addition to the Company's restructuring costs of \$10 million related to the operational improvement program incurred in 2014 which included \$9 million of termination benefits related to the elimination of approximately 187 positions from the Willis Insurance UK and Facultative divisions, in addition to approximately \$1 million of professional fees related to a study on process improvement.

Future Developments

There are no significant future developments as at the date of these financial statements.

Capital policy

As an insurance intermediary regulated by the FCA, the Company's capital requirements are set out in both the Threshold Condition and MIPRU requirements within the FCA Handbook. The Company's policy is to review its capital requirements on a regular basis and to maintain capital resources of at least two times that requirement.

Principal risks and uncertainties

The Company has an Enterprise Risk Management Committee that meets at least quarterly. This Committee is a Committee of the Board and 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:

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

Principal risks and uncertainties (continued)

Change Risk

The Group and Company's strategic plans which reflect the outcome of the merger of Willis and Towers Watson, as well as changes in the insurance broking and risk management advisory market, will all require significant change in the Company's organisation and operations. These changes may result in dissatisfaction of our employees resulting in a reduction in client service levels leading to higher rates of client loss and lower levels of new business. It may also result in the resignation of key client service staff and new business producers which may lead to lower levels of revenue than planned. The Company manages this risk through robust change governance processes, mechanisms to retain key employees, deliver the planned operational improvement program benefits and through ongoing monitoring of key performance indicators designed to provide early notice of declining performance.

Exposure to the Group

The Company is a wholly-owned subsidiary of the Group. The Group is a leading global advisory, broking and solutions company, is listed on the NASDAQ and has total assets at 31 December 2015 of \$18.8 billion.

The Company is dependent upon its ultimate parent company and the Group for ongoing support in a wide range of areas, including the provision of operational and technology services and delivery of a number of key projects and initiatives. The Company also deposits surplus funds with the Group.

The Group is also dependent upon the Company for its access to the London Insurance 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.

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

Economic Environment and Competition

As a result of the low level of growth in major global economies, 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. A further softening of insurance and reinsurance rates given excess capacity in the market also has the potential to place further pressure on revenues. We mitigate the risk through our focus on service, product quality and pricing. The Company continues to monitor both regulatory and market developments, and adapt its model to both threats and new opportunities accordingly. Economic conditions continue to also provide challenges relating to the security of carriers; the Company mitigates the risk of the failure of a major (re)insurer through its Market Security monitoring, policies and procedures, and through using a large number of carriers globally.

Pension Risks

The Company's defined benefit pension scheme was closed to new members in January 2006 but continues to accrue future benefits for existing members. Under FRS101, the net asset recorded within the financial statements is \$502 million (net of tax) (2014: \$251 million). The liabilities of the pension scheme, and a large proportion of the assets of the scheme, are denominated in Pound Sterling which gives exposure to currency risks. The scheme valuation is subject to assumptions and other factors, including equity and bond market returns, inflation rates, mortality assumptions, potential regulatory and legal changes and counterparty exposure in investments.

The last actuarial valuation of the scheme performed as at 31 December 2013, shows a deficit of £56 million (\$83 million). Pension risks are mitigated through a balanced approach to investments held and a proactive relationship with the Scheme Trustees, including an agreed funding strategy.

On 6 March 2015, the Company implemented a salary freeze for its UK defined benefit pension plan such that with effect from 30 June 2015, future pay increases no longer count towards the calculation of the employee's pension. This change has reduced the plan's projected benefit obligation by approximately \$215 million.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

Principal risks and uncertainties (continued)

Errors and Omissions Exposures

As a consequence of the business sector the Company operates in, claims alleging professional negligence may be made against the Company. Some of these claims may have a material adverse impact on the Company's profitability, cash and capital position. The Company mitigates this risk through the implementation of the Willis Excellence Model which is designed to provide a consistent high level of service and quality to the Company's clients. In addition, the Company has taken out a program of insurance cover.

Regulatory, Legal and Conduct Risk

The Company is subject to regulation from the Financial Conduct Authority ("FCA") in relation to its insurance mediation activities. The FCA has prescribed principles for business and rules by which the Company's insurance and reinsurance operations are to conduct business, including the rules governing how the Company holds client assets. The FCA has a wide range of rule-making, investigatory and enforcement powers aimed at meeting its statutory objective of ensuring that the relevant markets function well.

The regulator has three operational objectives:

- Promoting effective competition in the interests of consumers;
- Securing an appropriate degree of protection for consumers; and
- Protecting and enhancing the integrity of the UK financial system.

Central to the regulator's agenda is 'Conduct Risk', which is the risk that a firm's behaviour will result in poor outcomes for customers and adversely impact on the integrity of the market. The Company's failure, or that of its employees, to satisfy the FCA that it is in compliance with their requirements or the legal requirements governing its activities, can result in disciplinary actions, fines, reputational damage and financial harm. We continue to focus on Conduct Risk through the review of appropriate metrics and taking appropriate action as necessary.

The Company is also subject to rules and legislation governing money laundering, bribery and corruption, sanctions and competition. The Company has established its procedures to ensure that it is in compliance with these rules. However, should the Company fail to comply with the requirements, this failure may result in disciplinary actions, fines, reputational damage and financial harm. These rules and legislation impact the Company's global operations. From time to time the rules and legislation are subject to change which may impact the Company's operations.

To mitigate these risks 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 to which employees must adhere. Reviews and audits of compliance with this guidance are carried out on a regular basis by both Compliance and Internal Audit.

Liquidity Risk

Liquidity risk is the 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. In addition, the Company has access to a \$20 million credit facility.

Currency Risk (Fx)

The Company conducts its business in multiple currencies, primarily US dollars, pounds 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 Company has intercompany balances with fellow Group undertakings in currencies other than US dollars, the primary functional currency of the Company, and is therefore exposed to movements in exchange rates. The Board has established and monitors a policy with clear limits and processes to be followed to manage this risk. The Group's treasury function takes out contracts to manage this risk at a Group level.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

Principal risks and uncertainties (continued)

Credit Risk

Credit risk is 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. The Company is potentially exposed to credit risk from its investments in its subsidiary undertakings. An impairment allowance would be made if there were to be an identified loss event which would evidence a potential reduction in the recoverability of the cash flows. No such event has been identified.

Brokerage not yet received is monitored closely to minimise the time taken 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.

The failure of one or more banks may have an adverse impact on the Company. The Company holds its own and fiduciary cash in bank accounts and deposits. These accounts and deposits are spread across a number of banks. The Company does not place any funds in banks with a credit rating below Fitch Short Term F1. Banks with which the Company has a credit exposure are monitored monthly. In the event of a bank failure, the FCA's CASS rules set out the mechanism by which any loss of client money should be administered. The Company has reviewed its processes for complying with these rules and continues to implement changes to further strengthen them. The Company mitigates its exposure to credit risk through the diversification of funds between approved banks and through a programme of reduction of fiduciary balances where possible.

The Board has established and monitors a policy with clear limits and processes to be followed to manage these risks.

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.

Business & Technology Interruption Risk

The Company conducts its business in multiple locations across the world. The most significant of these are in London and Ipswich (United Kingdom) and Mumbai (India). In addition, the Company relies on significant Group operations in Nashville (USA). These locations may be subject to natural and man-made catastrophes which may disrupt the Company's operations. The Company mitigates this risk through the documentation and testing of Business Continuity Plans, which include establishment of backup operational sites and procedures for re-establishment of operations. The Company maintains appropriate insurance cover for business interruption events.

The Company relies on information technology in the conduct of its business. As a result, the Company is exposed to a number of areas of risk relating to IT resilience, including, but not limited to, adequacy of IT resources, cyber-attack, failure of third party supplier and adequacy of controls surrounding the provision of IT services.

The Company has established a control framework around the provision of IT services which address the risks. These controls are subject to ongoing review and testing.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

Principal risks and uncertainties (continued)

Data Security Risk

Computer viruses, cyber attack and other external hazards, as well as improper or inadvertent staff behaviour could expose confidential company and personal data systems to security breaches. Additionally, one of our significant responsibilities is to maintain the security and privacy of our clients' confidential and proprietary information and the personal data of their employees. These increasing risks, and expanding regulatory requirements regarding data security, could expose us to data loss, monetary and reputational damages and significant increases in compliance costs.

With respect to our commercial arrangements with third-party vendors, we have processes designed to require third-party IT outsourcing, offsite storage and other vendors to agree to maintain certain standards with respect to the storage, protection and transfer of confidential, personal and proprietary information. However, we remain at risk of a data breach due to the intentional or unintentional non-compliance by a vendor's employee or agent, the breakdown of a vendor's data protection processes, or a cyber-attack on a vendor's information systems.

We maintain policies, procedures and technological safeguards designed to protect the security and privacy of our data. However, we cannot entirely eliminate the risk of data security breaches, improper access to or disclosure of confidential company or personally identifiable information. Our technology may fail to adequately secure the private information we hold and protect it from theft, computer viruses, hackers or inadvertent loss. In such circumstances, we may be held liable to our clients, which could result in legal liability or impairment to our reputation resulting in increased costs or loss of revenue.

Political Risk

The Company has operations and generates income across a large number of countries which may be or become subject to economic or political instability. The Company manages this risk through ongoing monitoring of the economic and political situation in these geographies and benefits from its geographic diversification in mitigating the risk.

On 23 June 2016 there was a referendum in the UK to consider the UK's continuing membership of the European Union (the "EU"). The outcome of this vote was a decision to leave the EU and adopt an as yet unknown relationship with the EU. The implications of the exit from the EU are not clear but may impact the Company's ability to operate in some European markets with potential adverse impacts on the Company's profitability and cash flow. These potential adverse impacts are likely to be realised over a period of years following an exit result and it is not anticipated that there will be any immediate regulatory or policy change.

Outsourcing Risk

As part of providing services to clients and managing our business, we rely on a number of third-party service providers. Our ability to perform effectively depends in part on the ability of these service providers to meet their obligations, as well as on our effective oversight of their performance. The quality of our services could suffer or we could be required to incur unanticipated costs if our third-party service providers do not perform as expected or their services are disrupted. This could have a material adverse effect on our business and results of operations.

Environment

The Group recognises the importance of its environmental responsibilities and 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.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

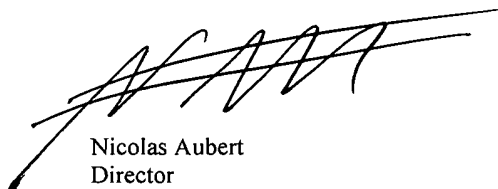
Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements on page 33.

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

Communication with employees concerning the objectives and performance of the Group 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 Group's vision and business strategy.

By Order of the Board

A handwritten signature in black ink, appearing to read 'N. Aubert', written over a series of horizontal lines.

Nicolas Aubert
Director
51 Lime Street
London EC3M 7DQ

7 July 2016

WILLIS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors present their annual report, together with the audited financial statements, for the year ended 31 December 2015.

Strategic report

The Directors have approved the content of the Company's strategic report prepared in accordance with Section 414C of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. The report provides an overview of the Company's activities and an analysis of its performance for the year ended 31 December 2015, along with the principal risks faced in achieving its future objectives.

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 23.

Dividends

An interim dividend of \$150 million was paid on 28 May 2015 (30 September 2014: \$95 million). The Directors do not recommend the payment of a final dividend (2014: \$nil).

Events after the balance sheet date

On 4 January 2016, pursuant to an Agreement and Plan of Merger, the Willis Group Holdings plc group and the Towers Watson & Co. group combined, with Towers Watson & Co. becoming a wholly-owned subsidiary of Willis Group Holdings plc. Immediately following the merger, Willis Group Holdings plc changed its name to Willis Towers Watson plc.

On 8 April 2016 the Company agreed to settle in principal litigation related to restrictive covenants on certain departures and the appropriation of business from the Fine Art, Jewelry and Specie team from the Company during 2015. On 28 April 2016, the other party to this matter, as part of this agreement, paid \$42 million to the Company by way of settlement and \$4 million on account of legal fees incurred by the Company.

Employees

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. David J Martin, Stephen P Hearn, Simon W Gaffney and Alistair JC Rivers resigned as Directors of the Company on 25 August 2015, 8 September 2015, 1 October 2015 and 8 June 2016 respectively. Nicolas Aubert, Catherine Roy, John P Cavanagh and Alastair JP Swift were appointed with effect from 30 September 2015, 11 November 2015, 12 January 2016 and 8 June 2016 respectively. There were no other changes in Directors during the year or after the year end.

WILLIS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Disclosure of information to the auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

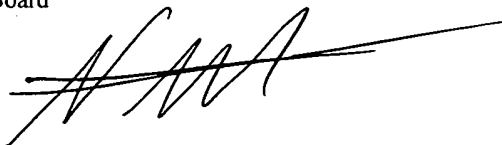
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Auditor

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

By Order of the Board



Nicolas Aubert
Director
51 Lime Street
London EC3M 7DQ

7 July 2016

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 2015 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 31. 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), including FRS 101 "Reduced Disclosure Framework"

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2015 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

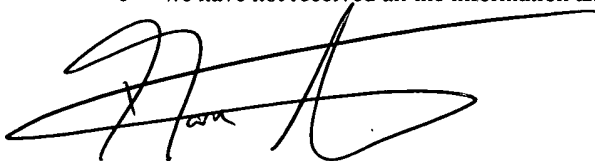
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILLIS LIMITED (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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

7 July 2016

WILLIS LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 \$m	2014 \$m
Brokerage and fees	3	937	1,007
Interest and investment income		3	2
Turnover		940	1,009
Other operating expenses (including pension past service credit of \$215 million for 2015)		(594)	(836)
Operating income – foreign exchange gain		4	14
Profit on disposal of books of business	7	74	7
Restructuring costs	8	(37)	(10)
Operating profit	4	387	184
Interest receivable and similar income	9	56	36
Interest payable and similar costs	10	(1)	-
Profit on ordinary activities before taxation		442	220
Tax charge on profit on ordinary activities	11	(56)	(36)
Profit for the year		386	184

All activities derive from continuing operations.

WILLIS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 \$m	2014 \$m
Profit for the year		386	184
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial loss on defined benefit pension scheme	24	29	(8)
UK deferred tax attributable to actuarial (gain)/loss	11	(6)	2
UK deferred tax attributable to rate change on prior year actuarial gains/losses	11	(9)	(2)
Net effect of exchange rates on pension movements		(9)	(11)
Net UK deferred tax effects of exchange rates on pension movements	11	2	4
Net currency translation gain on the UK retail business		-	(2)
		7	(17)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Derivative instruments:			
Losses on forward contracts (effective element)		(24)	(31)
Reclassification adjustments for forward exchange contracts included in income statement		(4)	16
Tax on items relating to components of other comprehensive income	11	6	3
Other comprehensive income for the year, net of income tax		(15)	(29)
Total comprehensive income for the year		371	155

WILLIS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2015

	Notes	2015 \$m	2014 \$m
Fixed assets			
Intangible assets	13	232	212
Property, plant and equipment	14	30	32
Investments	15	34	36
		<u>296</u>	<u>280</u>
Current assets			
Debtors:			
Amounts falling due within one year	17	642	623
Amounts falling due after more than one year	17	28	41
		<u>670</u>	<u>664</u>
Fiduciary assets: amounts falling due within one year	18	3,668	3,744
Fiduciary assets: amounts falling due after more than one year	18	173	219
Deposits and cash: held in fiduciary capacity	18	1,020	1,001
Deposits and cash		144	149
		<u>5,675</u>	<u>5,777</u>
Current liabilities			
Creditors: amounts falling due within one year	19	(306)	(272)
Fiduciary liabilities: amounts falling due within one year	20	(4,664)	(4,763)
		<u>(4,970)</u>	<u>(5,035)</u>
Net current assets		<u>705</u>	<u>742</u>
Total assets less current liabilities		<u>1,001</u>	<u>1,022</u>
Creditors: amounts falling due after more than one year	21	(6)	(23)
Fiduciary liabilities: amounts falling due after more than one year	20	(197)	(201)
Provisions for liabilities	22	(37)	(35)
Defined pension plan surplus	24	502	251
Net assets		<u>1,263</u>	<u>1,014</u>
Equity			
Called up share capital	23	153	153
Retained earnings		<u>1,110</u>	<u>861</u>
Shareholder's equity		<u>1,263</u>	<u>1,014</u>

The financial statements of Willis Limited, registered company number 0181116, were approved by the Board of Directors and authorised for issue on 7 July 2016 and signed on its behalf by:



Neil P Perry
Director

WILLIS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Called up share capital \$m	Retained earnings \$m	Total equity \$m
Balance at 1 January 2013		153	803	956
Effect of transition to FRS 101		-	(27)	(27)
Balance at 1 January 2013		153	776	929
Total comprehensive income for the year				
Profit for the year		-	184	184
Other comprehensive income:				
Actuarial loss on defined benefit pension scheme	24	-	(8)	(8)
Net currency translation gain on the UK retail business		-	(2)	(2)
Net effect of exchange rates on pension movements		-	(11)	(11)
Reclassification adjustments for forward exchange contracts included in income statement		-	16	16
Losses on forward contracts (effective element)		-	(31)	(31)
Tax on items relating to components of other comprehensive income		-	7	7
Total comprehensive income for the period		-	155	155
Equity-settled share-based payment transactions	29	-	25	25
Dividends to shareholders	12	-	(95)	(95)
Balance at 31 December 2014		153	861	1,014
Profit for the year		-	386	386
Other comprehensive income:				
Actuarial loss on defined benefit pension scheme	24	-	29	29
Net effect of exchange rates on pension movements		-	(9)	(9)
Reclassification adjustments for forward exchange contracts included in income statement		-	(4)	(4)
Losses on forward contracts (effective element)		-	(24)	(24)
Tax on items relating to components of other comprehensive income		-	(7)	(7)
Total comprehensive income for the period		-	371	371
Equity-settled share-based payment transactions	29	-	28	28
Dividends to shareholders	12	-	(150)	(150)
Balance at 31 December 2015		153	1,110	1,263

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. Accounting policies

Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 and, consequently, has prepared these financial statements in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework ("FRS 101"). The prior year comparative information has been restated for material adjustments on adoption of FRS 101 in the current year (see note 31).

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period.

The principal accounting policies adopted are set out below.

Disclosure exemptions

The Company has taken advantage of the certain disclosure exemptions permitted under FRS 101 in relation to, primarily: (i) business combinations; (ii) share-based payments; (iii) financial instruments; (iv) impairment of assets; (v) presentation of a cash flow statement; and (vi) related party transactions as, where required, equivalent disclosures are given in the group accounts of Willis Towers Watson plc (formerly Willis Group Holdings plc).

Going concern

The Company's business activities and the factors likely to affect its future development and position are set out in the Strategic Report. The Company's financial projections indicate that it will generate positive cash flows on its own account for the foreseeable future. The Company deposits its excess own cash funds with the Group's centralised treasury function and so shares banking arrangements with its parent and fellow subsidiaries.

In accordance with their duties set out in the Financial Services and Markets Act and the FCA's 'Threshold Condition 2.4 - Appropriate Resources' the Directors have conducted enquiries into the nature and quality of the assets, liabilities, and cash that make up the Company's capital. Furthermore, the Directors' enquiries extend to the Company's relationship with the Group and external parties on a financial and non-financial level. Having assessed the responses to their enquiries, the Directors have no reason to believe that a material uncertainty exists that may cast significant doubt upon the ability of the Group to continue as a going concern or its ability to repay loans due to the Company from time to time.

As a consequence of the enquiries the Directors have a reasonable expectation that the Company has appropriate 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.

True and fair view override

In special disclosure circumstances, where compliance with any of the provisions of the Companies Act as to the matters to be included in a company's accounts (or notes thereto) is inconsistent with the requirement to give a true and fair view of the state of affairs and profit or loss, the directors shall depart from that provision to the extent necessary to give a true and fair view. In these instances, the Company adopts a true and fair view override.

Parent undertaking and controlling party

The Company's:

- immediate parent company and controlling undertaking is Willis Faber Limited; and
- ultimate parent company is Willis Towers Watson plc (formerly 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 Towers Watson plc (formerly Willis Group Holdings plc), whose financial statements are available to members of the public from the Company Secretary, 51 Lime Street, London EC3M 7DQ.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

1. Accounting policies (continued)

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 significant 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.

Revenue is stated net of VAT where applicable.

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

Interest receivable and interest payable

Interest receivable and interest payable are recognised as interest accrues using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Foreign currency translation

During 2015 the Company had two principal divisions:

- Retail Network business (our UK retail business); and
- the remaining activities of the Company (our non-retail business).

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').

(i) Retail Network (UK retail business)

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

(ii) Non-retail business

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 rates. 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.

Non-Retail business transactions in currencies other than the functional currency are initially recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange ruling at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised as profit or loss in the period in which they arise, except for exchange differences on UK retail business (as described above) and transactions entered into to hedge certain foreign currency risks (see financial assets and financial liabilities, below).

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

1. Accounting policies (continued)

Intangible assets - Goodwill

Goodwill represents the excess of the cost of businesses acquired over the fair market value of identifiable net assets at the dates of acquisition. The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 require the amortisation of goodwill. However, the Company believes the amortisation of goodwill would not give a true and fair view because:

- not all goodwill declines in value; and
- goodwill that does decline in value rarely does so on a straight-line basis.

Consequently, straight-line amortisation of goodwill over an arbitrary period does not reflect economic reality and thus does not provide useful information to financial statement users. The Company is therefore invoking the 'true and fair view override' described above.

The Company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability, nor can the pattern in which goodwill diminishes be known.

Consequently, the Company does not amortise goodwill but reviews it for impairment annually and whenever facts or circumstances indicate that the carrying amounts may not be recoverable.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (or groups of cash-generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

Intangible assets - Other

Acquired intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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
Equipment	Straight line over 7 years

Expenditure for improvements is capitalised; repairs and maintenance are charged to the income statement 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 income statement in the period in which the impairment occurs.

Fixed asset investments

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

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.

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.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

1. Accounting policies (continued)

Fiduciary assets and fiduciary liabilities (continued)

Fiduciary assets

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

Fiduciary liabilities

The obligations to remit these funds to insurers or insureds are recorded as fiduciary liabilities on the Company's balance sheet. 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.

Deposits and cash: held in fiduciary capacity ('fiduciary funds')

Unremitted insurance premiums and claims are recorded within fiduciary funds. Fiduciary funds are 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. Notwithstanding the legal relationships with clients and insurers, the Company is generally entitled to retain interest and investment income earned on fiduciary funds in accordance with agreements with insureds and insurers and in accordance with industry custom and practice where these agreements are not in place.

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, and subsequently a salary freeze was enacted on 30 June 2016. New employees are now offered the opportunity to join the 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 cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of the defined benefit obligation) and is based on actuarial advice.

Past service costs are recognised in profit and loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance income or cost.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

1. Accounting policies (continued)

Pension costs (continued)

Defined benefit scheme (continued)

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the Company expects to recover by way of refunds from the plan or reductions in the future contributions.

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 Towers Watson plc (formerly Willis Group Holdings plc), issues equity-settled share-based payments to certain employees of the Company under which the Company receives services from employees as consideration for these awards. The awards are granted by Willis Towers Watson plc (formerly Willis Group Holdings plc) and the Company has no obligation to settle the awards.

The fair value of the employee service received in exchange for the grant of the awards is recognised as an expense. A credit is recognised directly in equity. The equity-settled share-based payments are measured at fair value at the date of grant and are 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 typically 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.

Income Taxes

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 recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements although deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same tax authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

1. Accounting policies (continued)

Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Financial assets and financial liabilities

Financial assets and financial liabilities include cash and cash equivalents, trade debtors and other receivables as well as trade creditors and other payables (including amounts owed to / by group undertakings), available-for-sale financial assets and derivative financial instruments.

The Company classifies its financial assets and financial liabilities in the following categories: at fair value through profit and loss; as loans, receivables or payables (including amounts owed by / to group undertakings); as available-for-sale financial assets; or as derivatives which may either be designated as hedging instruments in an effective hedge or not. The classification is made by management at initial recognition and depends on the purpose for which the financial assets or financial liabilities were entered into.

Financial assets and financial liabilities at fair value through profit or loss are initially recognised and subsequently measured at fair value. Gains or losses arising from changes in fair value through profit and loss are presented in the income statement, within interest income or expense, in the period in which they arise.

Loans, receivable and payables are non-derivative financial assets or financial liabilities with fixed or determinable receipts or payments that are not quoted in an active market. Such financial assets or financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Any resulting interest is recognised in interest receivable or interest payable, as appropriate.

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 and expenses.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception.

The effective portions of changes in the fair value of derivatives that qualify for hedge accounting as cash flow hedges are recorded in other comprehensive income. Amounts are reclassified from other comprehensive income to earnings when the hedged exposure affects earnings. Changes in fair value of derivatives that do not qualify for hedge accounting, together with any hedge ineffectiveness on those that do qualify, are recorded in operating expenses or interest expense as appropriate.

Recent Accounting Pronouncements to be adopted in Future Periods

In July 2015, the Financial Reporting Council ('FRC') issued amendments to FRS 101 as part of its 2014-2015 Cycle and other minor amendments. Each amendment not already effective for the Company's 2015 accounting year will be mandatorily effective for the Company's 2016, 2017 or 2018 accounting year. The changes include:

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

1. Accounting policies (continued)

Recent Accounting Pronouncements to be adopted in Future Periods (continued)

Standards and amendments issued by the IASB but not endorsed by the EU

- In May 2014, the International Accounting Standards Board ('IASB') issued International Financial Reporting Standard ('IFRS') 15, 'Revenue From Contracts With Customers'. The new standard supersedes most current revenue recognition guidance. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The IFRS also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgements and changes in judgements and assets recognised from costs incurred to fulfil a contract. The IFRS was originally scheduled to become effective for the Company at the beginning of its 2017 accounting year; early adoption was not initially permitted. However, in September 2015, the FASB issued an amendment to IFRS 15 deferring the effective date but permitting early adoption at the original effective date. Consequently, subject to EU endorsement, the standard will now become mandatorily effective for the Company at the beginning of its 2018 accounting year. Entities have the option of using either a full retrospective or a modified retrospective approach for the adoption of the new standard. The Company is currently assessing the impact that this standard will have on its financial statements. The FRC is revisiting whether any disclosure exemptions are appropriate in FRS 101 as part of its 2015/16 Cycle.
- In July 2014, the IASB issued IFRS 9 'Financial Instruments', which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. Hedge accounting is generally applied prospectively from that date. Subject to EU endorsement, the guidance will become mandatorily effective for the Company at the beginning of its 2018 accounting year. The Company is currently assessing the impact that this standard will have on its financial statements.

In January 2016, the IASB issued IFRS 16 'Leases' which supersedes IAS 17 'Leases'. The new standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments, measuring the right-of-use asset similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion. Assets and liabilities arising from a lease are initially measured on a present value basis.

The measurement includes non-cancellable lease payments and payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The lessee requirements are applied retrospectively, either to each prior reporting period presented or with the cumulative effect of initial application recognised at the date of initial application with no restatement of comparative information. A lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. A lessor is not required to make any adjustments on transition for leases in which it is a lessor and accounts for those leases applying the new standard from the date of initial application. Subject to EU endorsement, the guidance will become mandatorily effective for the Company at the beginning of its 2019 accounting year. The Company is currently assessing the impact that this standard will have on its financial statements.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

2. Critical accounting judgements and estimates

The preparation of financial statements in conformity with FRS 101 and in the application of the Company's accounting policies, which are described in note 1, requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the dates of the financial statements and the reported amounts of revenues and expenses during the year. Judgements, estimates and assumptions are made about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements apart from those including estimations (which are dealt with separately below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

Management judgement has been applied in the assessment of the significance of brokerage post placement obligations and hence the amount of revenue deferred, and also, for negotiated fee arrangements covering multiple insurance placements, in the determination of the relative fair value of the services completed and the services yet to be rendered.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Valuation of goodwill

Significant management judgement is required to estimate:

- the future cash flows of the cash generating units, which are sensitive to projected cash flows for the period for which detailed forecasts are available and assumptions regarding the long-term pattern of cash flows thereafter; and
- the rates used to discount cash flows, which are sensitive to the risk-free interest rate in the UK and a premium for the risk of the business being evaluated; these variables are subject to fluctuations beyond management's control.

As part of the annual impairment test which was performed as at 31 December 2015, management reviewed the current and expected performance of the cash generating units and determined that there was no indication of impairment of the goodwill allocated to them. See note 13 for the carrying amount of goodwill. No impairment of goodwill was identified in 2015 or 2014.

Acquired customer relationships

During the year, management reconsidered the recoverability and estimated useful economic lives of its intangible acquired customer relationships asset which is included in its balance sheet at \$18 million (see note 13). Management is confident that the carrying amount of the asset will be recovered in full and that the useful economic lives remain appropriate.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

2. Critical accounting judgements and estimates (continued)

Key sources of estimation uncertainty (continued)

Useful economic lives of tangible fixed assets

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 14 for the carrying amount of the tangible fixed assets, and note 1 for the useful economic lives for each class of assets.

Impairment of investments in subsidiaries

Determining whether the Company's investments in a subsidiary has been impaired requires estimations of the investment's fair value, less costs of disposal, and/or value in use. Management judgement is required to identify comparable recent transactions and/or to estimate the future cash flows expected to arise from the investment and select a suitable discount rate to use in calculating present value. See note 15 for the carrying amount of investments in subsidiaries. No impairment loss was recognised in 2015 or 2014.

Impairment of loans and receivables

Management judgement is required to assess at the end of each reporting period whether there is any objective evidence that loans and receivables are impaired and, if so, to determine the amount of any impairment loss. See note 17 for the carrying amount of loans and receivables. No impairment loss was recognised in 2015 or 2014.

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are given in note 11.

Provisions

Management judgement is required to determine the probability of an outflow of resources and to estimate the amount. Further details are given in note 22.

Funded defined benefit pension scheme

The major assumptions used in the actuarial valuation of the funded defined benefit pension scheme operated by the Company are the rate of increase in salaries, the rate of increase in pensions in payment, the discount rate, RPI and CPI inflation rates, and mortality and longevity rates. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. Further details are given in note 24.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

3. Brokerage and fees

The table below analyses the Company's brokerage and fees by the registered company 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	2015 \$m	2014 \$m
United Kingdom	370	396
North America	155	145
Rest of the world	412	466
	<u>937</u>	<u>1,007</u>

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 cannot be allocated between geographical areas on a meaningful basis. In addition no further analysis of turnover between external and intra-group clients has been provided as the Directors of the Company are of the opinion that such analysis would not be meaningful.

4. Operating profit	2015 \$m	2014 \$m
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets (note 14)	2	2
Amortisation of intangible assets (note 13)	2	-
Current service cost of pension schemes:		
- defined benefit scheme (note 24)	(169)	40
- defined contribution scheme	16	15
Net foreign currency exchange differences	(4)	(14)
Operating lease payments:		
- rental income	(5)	-
Total lease and sublease payments recognised in the income statement	<u>(5)</u>	<u>-</u>

The foreign exchange gain of \$4 million (2014: gain of \$14 million) shown in the income statement is mainly attributable to the fluctuation in the value of the pound sterling and the Euro to the US dollar during the year in relation to intercompany assets and liabilities and the close out of forward currency sale contracts.

Auditor's remuneration of £540,000 (\$796,000) (2014: £540,000 (\$842,000)) was borne by another Group company.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

	2015 \$m	2014 \$m
5. Employee costs		
Salaries and incentives	534	534
Social security costs	59	63
Pension costs:		
- defined benefit scheme (note 24)	(169)	40
- defined contribution scheme (note 24)	16	15
Gross employee costs	440	652
Amounts borne by fellow subsidiary undertakings	(97)	(88)
Net employee costs	343	564

	2015 Number	2014 Number
Number of employees – average for the period		
Producer	550	636
Client services	1,740	1,995
Management/administration services	1,051	1,022
	3,341	3,653

Pension costs for the defined benefit scheme include only those items included within operating expenses. Further details of those items and those recorded in interest receivable and similar income and the statement of comprehensive income are presented in note 24 on page 44.

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 costs borne by those subsidiary undertakings increased from \$88 million in 2014 to \$97 million in 2015.

The Company recognised total expenses in 2015 of \$28 million (2014: \$25 million expense) related to equity-settled share-based payment transactions to employees (included within salaries and incentives above). Further details are presented in note 29 on page 49.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

6. Directors' remuneration	2015 \$000	2014 \$000
Emoluments (excluding pension contributions, benefits and long-term incentive awards)	7,247	11,128
Benefits	35	52
Pension contributions	308	326
Consideration for loss of office	206	-
Amounts receivable under long-term incentive rewards	6,418	-
	14,214	11,506
Highest paid Director:		
Emoluments (excluding pension contributions, benefits and long-term incentive awards)	1,745	2,671
Benefits	-	1
Pension contributions	69	90
Amounts receivable under long-term incentive rewards	1,974	-
	3,788	2,762
Exercise of share options during the year	1,726	82
Accrued annual defined benefit pension at the end of the year relating to highest paid Director	-	-
Accrued defined benefit pension lump sum at the end of the year relating to highest paid Director	-	-
	2015 Number	2014 Number
Directors exercising share options	5	7
Directors receiving shares under long-term incentive plans	7	8
Directors eligible for defined benefit pension schemes	1	1

The Directors working for the Company are employed by other subsidiary undertakings of Willis Towers Watson plc (formerly Willis Group Holdings plc).

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

	2015 \$m	2014 \$m
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7. Profit on disposal of books of business

Profit on disposal of books of business	74	7
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On 31 May 2015, the Company transferred the total of its 100% shareholding in Special Contingency Risks Limited, as well as certain books of business to Miller Insurance Services LLP, a fellow Group undertaking, for proceeds totalling \$95 million. A charge of \$38 million was incurred on the disposal of goodwill and a disposal of investments in subsidiaries of \$2 million, resulting in an overall net profit of \$55 million from the transaction.

On 10 April 2015, the Company disposed of the new and renewal business of its commercial network retail operation in Dundee for \$6 million. A charge of \$1 million was incurred on the disposal of goodwill in relation to this operation resulting in a net profit of \$4 million after associated other expenses.

On 4 August 2015, the Company disposed of the new and renewal business of its Classic Car portfolio for \$16 million. After transaction expenses of \$1 million, a net profit of \$15 million was recorded.

On 31 October 2014, the Company sold the new and renewal business of its Belfast operation to Willis Risk Services (Ireland) Limited, a fellow Group company for \$10 million. As part of this disposal the Company incurred a \$3 million charge in respect of the disposal of the related goodwill asset, resulting in a net profit of \$7 million.

	2015 \$m	2014 \$m
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8. Restructuring costs

Restructuring costs	37	10
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The tax effect in the profit and loss account relating to this item is:

Tax credit on restructuring costs	7	2
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The restructuring costs of \$37 million (2014: \$10 million) related to the Group operational improvement program.

In 2015 this consisted of \$14 million of termination costs related to the elimination of positions from the Willis Insurance UK and UK Reinsurance divisions, in addition to approximately \$23 million of professional fees relating to project management and consultancy services.

In 2014 this consisted of \$9 million of termination costs related to the elimination of positions from the Willis Insurance UK and UK Reinsurance divisions, in addition to approximately \$1 million of professional fees related to a study on process improvement.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

	2015 \$m	2014 \$m
9. Interest receivable and similar income		
Interest receivable from Group undertakings	3	-
Total interest income for financial assets measured at amortised cost	3	-
Income from shares in subsidiary undertakings	32	23
	35	23
 <i>Other finance income</i>		
Return on pension scheme assets (note 24)	123	134
Interest on pension scheme liabilities (note 24)	(102)	(121)
	21	13
 Total interest receivable and similar income	56	36

	2015 \$m	2014 \$m
10. Interest payable and similar costs		
Interest payable to Group undertakings	2	-
Other loans	(1)	-
Total interest expense	1	-
 Total interest payable and similar costs	1	-

	2015 \$m	2014 \$m
11. Tax charge on profit on ordinary activities		
<i>(a) Analysis of charge for the year</i>		
Current tax:		
UK corporation tax	13	23
Adjustments in respect of prior periods	3	-
	16	23
Foreign tax	1	1
Total current income tax	17	24
Deferred tax:		
Origination and reversal of timing differences	54	16
Impact of changes in tax rates	(12)	(1)
Adjustments in respect of prior periods	-	(2)
Adjustments to the estimated recoverable amount of deferred tax arising in previous periods	-	1
Foreign exchange on deferred tax	(3)	(2)
Total deferred tax (note 11 (e))	39	12
 Tax expense in the income statement (note 11 (c))	56	36

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

11. Tax charge on profit on ordinary activities (continued)

	2015 \$m	2014 \$m
(b) Tax relating to items charged or credited to other comprehensive income		
Current tax:		
Tax on defined benefit pension plans	-	-
Total current income tax	-	-
Deferred tax:		
Actuarial gains on defined benefit pension plans	(6)	2
Net loss on revaluation of cash flow hedges	6	3
Deferred tax effects of exchange rates on pension movements	2	4
Change in tax laws and rates	(9)	(2)
Total deferred tax	(7)	7
Tax (expense/credit in the statement of other comprehensive income)	(7)	7

	2015 \$m	2014 \$m
(c) Reconciliation of the total tax charge		
The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK (20.25%) (2014: 21.5%). The differences are explained below:		
Profit on ordinary activities before taxation	442	220
Tax calculated at UK standard rate of corporation tax of 20.25% (2014: 21.5%)	90	47
Effects of:		
Expenses not deductible for tax purposes	1	2
Non-taxable income – dividends received	(7)	(5)
Non-taxable income – profit on the disposal of book of business (note 7)	(15)	(1)
Share-based payment relief	-	(1)
Changes in deferred tax laws and rates	(12)	(1)
Tax overprovided in previous years	3	(2)
Other adjustments including the effects of exchange rates and differences in aggregated deferred and current tax rates	(4)	(3)
Total tax expense reported in the income statement	56	36

(d) Change in Corporation tax rate

The Finance Act 2013 set the rate of UK corporation tax at 20% with effect from 1 April 2015. The Finance Act 2015 maintained this rate for the year from 1 April 2016. The Finance (No.2) Act 2015, which was substantively enacted on 26 October 2015 and received royal assent on 18 November 2015 reduced the rate to 19% with effect from 1 April 2017 with a further reduction to 18% from 1 April 2020. As the changes were substantively enacted prior to 31 December 2015, they have been reflected in these financial statements.

The government further announced on 16 March 2016 that the main rate of corporation tax will be reduced to 17% in 2020. As these changes have not been substantively enacted the change has not been reflected in these financial statements.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

11. Tax charge on profit on ordinary activities (continued)

	2015 \$m	2014 \$m
(e) Deferred tax		
The deferred tax included in the company balance sheet is as follows:		
Deferred tax liability		
Timing difference on pension asset	(111)	(62)
	<u>(111)</u>	<u>(62)</u>
Deferred tax asset		
Timing difference on share-based payments	7	6
Timing difference on general provisions	5	6
Capital allowances	(1)	(1)
Derivatives	4	1
	<u>15</u>	<u>12</u>
Disclosed on the balance sheet		
Deferred tax asset	15	12
Included in pension asset (note 24)	(111)	(62)
	<u>(96)</u>	<u>(50)</u>

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

	2015 \$m	2014 \$m
Deferred tax in the income statement		
Accelerated capital allowances	1	2
Pensions	55	12
Share-based payment	(1)	1
Changes in tax laws and rates	(12)	(1)
Foreign exchange on non-USD assets	(4)	(2)
	<u>39</u>	<u>12</u>

	2015 \$m	2014 \$m
12. Dividends paid and proposed		
Equity dividends on ordinary shares:		
Interim dividend paid 28 May 2015 (2014: 30 September 2014)	150	95
	<u>150</u>	<u>95</u>

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

13. Intangible assets	Acquired customer relationships \$m	Software and development costs \$m	Goodwill \$m	Total intangible assets \$m
<i>Cost or valuation</i>				
1 January 2015	-	6	346	352
Additions	20	11	31	62
Disposals	-	-	(44)	(44)
31 December 2015	<u>20</u>	<u>17</u>	<u>333</u>	<u>370</u>
<i>Amortisation</i>				
1 January 2015	-	-	140	140
Amortisation charge	2	-	-	2
Disposals	-	-	(4)	(4)
31 December 2015	<u>2</u>	<u>-</u>	<u>136</u>	<u>138</u>
<i>Carrying amount 31 December 2015</i>	<u>18</u>	<u>17</u>	<u>197</u>	<u>232</u>
<i>Carrying amount 31 December 2014</i>	<u>-</u>	<u>6</u>	<u>206</u>	<u>212</u>

Software and development costs includes internally generated software development costs relating to the development of systems to support our insurance broking activities. At 31 December 2015, the carrying amount was \$17 million (2014: \$6 million). These intangible assets are being amortised on a straight line basis and have a remaining amortisation period of 5 and 7 years.

As described in note 7, a number of disposals of books of business were transacted in the year. On 31 May 2015 a \$38 million charge to goodwill was incurred on the disposal of wholesale books of business disposed of to Miller Insurance Services LLP ("Miller"), and on 10 April 2015 a \$1 million charge to goodwill was incurred on the disposal of the commercial network retail operation in Dundee.

As described in note 16, on 31 May 2015 the Company acquired the new and renewal business of certain Miller retail market-sourced reinsurance activities for \$51 million. Of the acquisition, \$20 million related to acquired customer relationships and \$31 million related to purchased goodwill. The acquired customer relationships are being amortised on a reducing balance basis over 10 years. As at 31 December 2015 there is approximately 9 years of the amortisation period remaining.

14. Property, plant and equipment	Freehold land and buildings \$m	Total tangible fixed assets \$m
<i>Cost or valuation</i>		
1 January 2015	39	39
31 December 2015	<u>39</u>	<u>39</u>
<i>Depreciation</i>		
1 January 2015	7	7
Charge for the year	2	2
31 December 2015	<u>9</u>	<u>9</u>
<i>Carrying amount 31 December 2015</i>	<u>30</u>	<u>30</u>
<i>Carrying amount 31 December 2014</i>	<u>32</u>	<u>32</u>

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

15. Investments held as fixed assets	Unquoted available for sale equity investments \$m	Subsidiary undertakings \$m	Total \$m
<i>Cost or fair value</i>			
1 January 2015	1	35	36
Disposals (see below)	-	(2)	(2)
31 December 2015	1	33	34

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

On 1 May 2015, the Company disposed of the whole of its 100% shareholding in Special Contingency Risks Limited.

The available-for-sale assets held for sale constitute the Company's holding in Erimus Holdings Teeside Limited and are held at the fair value of agreed future sale proceeds.

The Company's subsidiaries and associated undertakings at 31 December 2015 are as follows:

Subsidiary undertakings:

	Percentage of share capital held	Class of share	Country of incorporation
<i>Insurance Broking</i>			
Glencairn UK Holdings Limited *	100%	Ordinary of £1 each	United Kingdom
Faber Global Limited	100%	Ordinary of £1 each	United Kingdom
W.I.R.E. Limited * (dissolved 16 March 2016)	100%	Ordinary of £1 each	United Kingdom
W.I.R.E. Risk Information Limited (dissolved 16 March 2016)	100%	Ordinary of £1 each	United Kingdom
PPH Limited *	100%	Ordinary of £1 each	Bermuda
Prime Professions Limited	100%	Ordinary of £1 each	United Kingdom
The CORRE Partnership Holdings Limited	100%	Ordinary of £1 each	United Kingdom
The CORRE partnership LLP	85%	N/A	United Kingdom

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

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

16. Business combinations

On 31 May 2015 a number of transactions took place with Miller Insurance Services LLP as part of the overall Group acquisition of an 85% stake in the firm. On the transaction date the Company acquired the new and renewal business of certain Miller retail market-sourced reinsurance activities for \$51 million. Of the acquisition, \$20 million related to acquired customer relationships and \$31 million related to purchased goodwill (see note 13).

	Carrying amount	Fair value
	\$m	\$m
Acquired intangible assets	20	20
Net assets	20	20
Goodwill arising on acquisition		31
		51
Discharged by cash		51

	2015 \$m	2014 \$m
17. Debtors		
<i>Amounts falling due within one year:</i>		
Trade debtors	251	213
Amounts owed by Group undertakings	313	323
Other debtors	1	1
Prepayments and accrued income	39	59
Retention awards	5	7
VAT	1	1
Derivative financial instruments	23	17
Deferred tax asset (note 11)	9	2
	<u>642</u>	<u>623</u>
<i>Amounts falling due after more than one year:</i>		
Trade debtors	18	17
Retention awards	4	4
Derivative financial instruments	-	10
Deferred tax asset (note 11)	6	10
	<u>28</u>	<u>41</u>
	<u>670</u>	<u>664</u>

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

18. Fiduciary assets, deposits and cash	2015 \$m	2014 \$m
<i>Amounts falling due within one year:</i>		
Fiduciary trade debtors	2,898	2,994
Fiduciary amounts owed by Group undertakings	758	737
Fiduciary amounts owed by associated undertakings	12	13
	<u>3,668</u>	<u>3,744</u>
Deposits and cash: held in fiduciary capacity	1,020	1,001
	<u>4,688</u>	<u>4,745</u>
<i>Amounts falling due after more than one year:</i>		
Fiduciary trade debtors	146	133
Fiduciary amounts owed by Group undertakings	26	84
Fiduciary amounts owed by associated undertakings	1	2
	<u>173</u>	<u>219</u>

Accrued interest on deposits and cash is recorded within prepayments and accrued income.

19. Creditors: amounts falling due within one year	2015 \$m	2014 \$m
Trade creditors	45	42
Amounts owed to Group undertakings	12	7
Amounts owed to Group undertakings in respect of corporation taxation group relief	14	24
Other creditors	38	29
Derivative financial instruments	45	12
Accruals and deferred income	152	158
	<u>306</u>	<u>272</u>

20. Fiduciary liabilities	2015 \$m	2014 \$m
<i>Amounts falling due within one year:</i>		
Fiduciary trade creditors	4,328	4,520
Fiduciary amounts owed to Group undertakings	310	228
Fiduciary amounts owed to associated undertakings	26	15
	<u>4,664</u>	<u>4,763</u>
<i>Amounts falling due after more than one year:</i>		
Fiduciary trade creditors	188	181
Fiduciary amounts owed to Group undertakings	9	17
Fiduciary amounts owed to associated undertakings	-	3
	<u>197</u>	<u>201</u>

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

	2015 \$m	2014 \$m
21. Creditors: amounts falling due after more than one year		
Accruals and deferred income	6	11
Deferred consideration on purchase of subsidiary undertakings	-	3
Derivative financial instruments	-	9
	<u>6</u>	<u>23</u>

	Severance \$m	Post placement services \$m	Claims and lawsuits \$m	Total \$m
22. Provisions for liabilities				
1 January 2015				
Current	-	9	3	12
Non-current	-	1	22	23
	<u>-</u>	<u>10</u>	<u>25</u>	<u>35</u>
Additional provisions made	17	-	-	17
Charged to profit and loss account	(6)	(1)	4	(3)
Utilised in the year	(6)	-	(6)	(12)
31 December 2015	<u>5</u>	<u>9</u>	<u>23</u>	<u>37</u>
<i>Analysed as:</i>				
Current	5	9	3	17
Non-current	-	-	20	20
	<u>5</u>	<u>9</u>	<u>23</u>	<u>37</u>

Severance provision

The provision comprises estimates for the cost of severance payments for employees whose roles have been affected by the operational improvement program. The remaining balance of the current provision is anticipated to be utilised during the following year.

Claims and lawsuits provision (including errors and omissions provisions):

The provision comprises estimates for liabilities that may arise from actual and potential claims and lawsuits for errors and omissions from the Company's insurers.

Post placement services provision:

The provision comprises an estimate of the future liabilities that arise from the placement of policies in this year and from previous years. The provision is based upon three key assumptions:

- the length of time the Company is obliged to provide post placement services;
- the number of claims we are likely to process in that time; and
- the average cost per claim.

The Company seeks to limit its exposure to such liabilities through the use of appropriately worded 'Terms of Business Agreements' with clients.

	2015 \$m	2014 \$m
23. Called up share capital		
Allotted, called up and fully paid		
105,000,000 (2014: 105,000,000) ordinary shares of £1 each	<u>153</u>	<u>153</u>

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

24. Pensions

Defined Benefit 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 Towers Watson plc (formerly Willis Group Holdings plc). This scheme was closed to new entrants in January 2006. A full actuarial valuation was carried out at 31 December 2013 and updated to 31 December 2015 by a qualified independent actuary. The major assumptions used for the actuarial valuation were:

	2015	2014	2013
	%	%	%
Rate of increase in pensionable salaries	3.3	2.9	3.2
Rate of increase in pensions in payment (LPI 5%)	3.1	3.1	3.4
Rate of increase in pensions in payment (LPI 2.5%)(i)	1.8	1.8	2
Discount rate	3.8	3.6	4.4
Inflation assumption (RPI)	3.3	3.2	3.5
Inflation assumption (CPI)	2.2	2.1	2.4
	80%/98%	80%/98%	90%/105%
	S1NXA for	S1NXA for	PNA00 for
	males/females,	males/females,	males/females,
Mortality (ii)	CMI 1%	CMI 1%	CMI 1%
	long-term	long-term	long-term
	improvement	improvement	improvement

(i) Based on CPI inflation.

(ii) S1NXA and PNA00 represents mortality tables, CMI represents assumed improvement in mortality.

As an indication of longevity assumed, the Company's calculations assume that a UK male retiree aged 65 at 31 December 2015 would have a life expectancy of 24 years.

<i>Analysis of the amount charged to operating profit:</i>	2015	2014
	\$m	\$m
Current service cost	31	40
Administrative expense	2	2
Past service credit	(215)	-
Curtailment gain	13	(2)
Total operating (profit)/charge	(169)	40

Analysis of the amount credited to interest receivable and similar income:

	2015	2014
	\$m	\$m
Interest income on pension scheme assets	(123)	(134)
Interest cost on pension scheme liabilities	102	121
Net interest on the net defined benefit pension scheme asset	(21)	(13)

Analysis of the amount recognised in the Other Comprehensive Income:

	2015	2014
	\$m	\$m
Return on pension scheme assets (excluding interest income)	(45)	382
Actuarial experience gains and losses arising on the scheme liabilities	(12)	39
Changes in actuarial demographic assumptions underlying the present value of the scheme liabilities	(13)	-
Changes in actuarial financial assumptions underlying the present value of the scheme liabilities	99	(429)
	29	(8)

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

24. Pensions (continued)

Defined Benefit Scheme (continued)

Analysis of amounts included in the balance sheet:

	2015	2014
	\$m	\$m
Fair value of scheme assets	3,290	3,398
Present value of scheme liabilities	(2,677)	(3,085)
Surplus	613	313
Related deferred tax liability (note 11(e))	(111)	(62)
Net pension asset	502	251

Movements in fair value of scheme assets during the year:

	2015	2014
	\$m	\$m
At 1 January	3,398	3,060
Interest income on assets	123	134
Contributions from the Company	101	91
Contributions from the scheme members	1	2
Benefits paid	(98)	(85)
Administration expenses	(2)	(2)
Return on assets excluding amounts included in net interest	(45)	382
Exchange adjustments	(188)	(184)
At 31 December	3,290	3,398

Movements in present value of scheme liabilities during the year:

	2015	2014
	\$m	\$m
At 1 January	3,085	2,785
Current service cost	31	40
Interest cost	102	121
Contributions from the scheme members	1	2
Past service credit	(215)	-
Benefits paid	(98)	(85)
Settlement and curtailment	13	(2)
Actuarial (loss)/gain	(75)	391
Exchange adjustments	(167)	(167)
At 31 December	2,677	3,085

Analysis of scheme assets and expected return:

	Fair value of assets	
	2015	2014
	\$m	\$m
Equity instruments	1,193	1,652
Debt instruments	1,167	1,196
Other	930	550
	3,290	3,398

The actual return on scheme assets for the year ended 31 December 2015 was a gain of \$78 million (2014: gain of \$516 million).

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

24. Pensions (continued)

Defined Benefit Scheme (continued)

Fair value hierarchy

The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value:

- Level 1: refers to fair values determined based on quoted market prices in active markets for identical assets;
- Level 2: refers to fair value estimated using observable market based inputs or unobservable inputs that are corroborated by market data; and
- Level 3: includes fair values estimated using unobservable inputs that are not corroborated by market data.

The following table presents, at 31 December 2015, for each of the fair value hierarchy levels, the Company's UK pension plan assets that are measured at fair value on a recurring basis:

	Fair value of plan assets as at 31 December 2015			
	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Equity securities:				
US equities	491	152	-	643
UK equities	232	17	-	249
Other equities	14	287	-	301
Fixed income securities:				
UK Government bonds	832	-	-	832
Other Government bonds	4	1	90	95
UK corporate bonds	-	115	-	115
Other corporate bonds	107	18	-	125
Derivatives	-	195	-	195
Real estate	-	-	146	146
Cash and cash equivalent	149	2	-	151
Other investments:				
Hedge funds	-	-	457	457
Other	-	(19)	-	(19)
Total	1,829	768	693	3,290

The contribution paid by the Company for 2015 (excluding salary sacrifice contributions and contingent contributions in respect of 2012 described below) was £61 million (\$93 million), comprising £11 million (\$17 million) regular contributions and £50 million (\$76 million) towards funding the deficit.

On 31 December 2015, the Company agreed a revised schedule of contributions towards on-going accrual of benefits and deficit funding contributions the Company will make to the UK Plan to the end of 2024. Based on this agreement, deficit funding contributions in 2016 will total approximately £36 million (\$53 million).

Annual deficit funding contributions will reduce to £15 million (\$22 million) for 2017 through 2020 although additional 'funding level' contributions may become payable based on funding level assessments made between 31 December 2017 and 2024. Such annual funding level contributions are capped at £10 million (\$15 million) per annum. From 2021 annual deficit funding contributions may be ceased, and instead paid into escrow, if the Scheme is ahead of its funding plan.

On 6 March 2015, the Company announced a salary freeze for its UK defined benefit pension plan such that, from 1 July 2015, future pay increases will not count towards the calculation of their pension. The impact of the salary freeze is to reduce plan liabilities by approximately £144 million (\$215 million) and generate a corresponding curtailment gain which has been recognised in the income statement.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

24. Pensions (continued)

Defined Benefit Scheme (continued)

With all other assumptions held constant, as at 31 December 2015:

1. a 0.5% increase in the discount rate would decrease plan liabilities by approximately £180 million (\$266 million);
2. a 0.5% increase in the inflation assumption would increase plan liabilities by approximately £43 million (\$63 million); and
3. a 1 year increase in the mortality assumption would increase plan liabilities by approximately £37 million (\$54 million).

As the above sensitivity analysis held all other assumptions constant, the results are not necessarily indicative of those that would occur given the interdependence of assumptions in practice.

Defined Contribution Scheme

The Company has operated a defined contribution scheme for new entrants since 1 January 2006, for which the pension cost charge for the year amounted to £16 million (2014: £15 million).

25. Forward sale of currency

The Company earns revenue in a number of different currencies, principally US dollars, Pound Sterling, Euros and Japanese Yen, but incurs expenses almost entirely in Pounds Sterling.

The Company hedges the risk as follows:

- To the extent that forecast Pound Sterling expenses exceed Pound Sterling revenues, the Group 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 UK operations of the Group also earn 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 Company participates in the Group's risk management activities in relation to foreign exchange risk. Forward contracts for the purchase/sale of foreign currencies are entered into by another subsidiary undertaking. The Company then enters into back-to-back contracts with that subsidiary undertaking. At 31 December 2015 the Company has entered into back-to-back forward contracts for the purchase/sale of foreign currencies in accordance with this policy. The fair value of the forward contract assets were \$23 million and for the liabilities \$45 million (2014: \$26 million and \$21 million respectively).

These forward contracts are summarised below:

Contracts maturing:	Purchase GBP	Sale Euros	Sale JPY
	Million/Rate to USD	Million/Rate to USD	Million/Rate to USD
1 January 2016 to 31 December 2016	256.3m/1.573	67.5m/1.284	2,839.0m/108.1
1 January 2017 to 31 December 2017	183.7m/1.548	51.5m/1.222	1,990.0m/112.9
1 January 2018 to 31 December 2018	89.6m/1.553	25.0m/1.147	840.0m/116.1

26. Contingent liabilities

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.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

26. Contingent liabilities (continued)

Claims, lawsuits and other proceedings (continued)

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.

As of 1 April 2011 Willis Limited was joined in its parent company's, Willis Towers Watson plc, ongoing litigation in the Federal Court in Texas with Stanford Financial Group ("the Action"). On 31 March 2016, Willis Towers Watson plc and a number of its subsidiaries including the Company (together "Willis Towers Watson") entered into a settlement in principle to eliminate the distraction, burden, expense and uncertainty of further litigation. The settlement terms provides that the parties understand and agree that there is no admission of liability or wrongdoing by Willis Towers Watson. Willis Towers Watson expressly denies any liability or wrongdoing with respect to the matters alleged in the Stanford litigation. The parties have agreed in principle to settle and dismiss the Action for a one-time cash payment, for which the Company will not incur any costs nor make any payments. There is no indication that these actions will give rise to any future losses or payment by the Company and as a result no provision has been made.

27. Directors' interests in contracts

The Company and other insurance broking subsidiary undertakings of Willis Towers Watson plc (formerly 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.

28. 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 18 and 20. These amounts all relate to trading.

	2015 \$m	2014 \$m
Al Futtaim Willis LLC	(1)	1
Gras Savoye SA ⁽ⁱ⁾	3	3
Miller 2015 & Miller Insurance Services ⁽ⁱⁱ⁾	1	-
Special Contingency Risks Limited ⁽ⁱⁱ⁾	(1)	-
Willis Saudi Arabia Company LLC	4	4
	<u>6</u>	<u>8</u>

FRS101 (paragraph 8(k)) 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.

(i) On 29 December 2015, Gras Savoye SA became a wholly owned subsidiary of the Group. The table above includes transactions up until this date.

(ii) On 31 May 2015, Miller LLP (and its subsidiaries) and Special Contingency Risks Limited became 85% owned entities within the Group. The table above includes transactions with these entities from this date.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

29. Share-based payments

Share-based Plans

On 31 December 2015, Willis Towers Watson plc (formerly 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 Towers Watson plc (formerly Willis Group Holdings plc).

The Company recognised total operating expense in 2015 of \$28 million (2014: \$25 million) related to equity-settled share-based payment transactions.

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. The 2008 plan was terminated as at 25 April 2012 and no further grant will be made under this plan. Any shares available for grant under the 2008 plan were included in the 2012 Equity Incentive Plan availability.

Options are exercisable on a variety of dates, including the third, fourth and fifth anniversary of grant.

2012 Equity Incentive Plan

This plan, which was established on 25 April 2012, provides for the granting of incentive stock options ("ISOs"), time-based or performance-based non statutory stock options, share appreciation rights ("SARs"), restricted shares, time-based or performance-based restricted share units ("RSUs"), performance-based awards and other share-based grants or any combination thereof (collectively referred to as "Awards") to employees, officers, directors and consultants ("Eligible Individuals") of the Group. The Board of Directors of Willis Towers Watson plc (formerly Willis Group Holdings plc) also adopted a sub-plan under the 2012 plan to provide an employee share save scheme in the United Kingdom.

There were approximately 23 million shares available for grant under this plan. Options are exercisable on a variety of dates, including from the second, third, fourth or fifth anniversary of grant. Unless terminated sooner by the Board of Directors, the 2012 Plan will expire 10 years after the date of its adoption. That termination will not affect the validity of any grants 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. Expected volatility is based on historical volatility of Willis Towers Watson plc (formerly Willis Group Holdings plc) stock. The Group uses the simplified method set out in the Financial Accounting Standards Board's ("FASB") Accounting Standard Codification ("ASC") 718-10-S99 to derive the expected term of options granted as it does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term. The risk-free rate for periods within the expected life of the option is based on the US Treasury yield curve in effect at the time of grant.

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2015 was \$45.58.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

29. Share-based payments (continued)

Details of the range of exercise prices and the weighted average contractual life of share options outstanding at 31 December 2015 are as follows:

	Options outstanding (thousands)	Weighted average remaining contractual life
Range of exercise prices ⁽¹⁾		
\$22.67 - \$26.90	179	3.0 years
\$27.22 - \$28.90	206	3.0 years
\$30.42 - \$34.90	611	5.5 years
\$35.05 - \$39.96	316	3.4 years
\$40.04 - \$43.67	859	5.3 years
\$44.32	855	7.6 years
	3,026	5.5 years

⁽¹⁾ Certain options are exercisable in Pounds Sterling and are converted to dollars using the exchange rate at 31 December 2015 or 2014, respectively.

30. Events after the balance sheet date

On 4 January 2016, pursuant to an Agreement and Plan of Merger, the Willis Group Holdings plc group and the Towers Watson & Co. group combined, with Towers Watson & Co. becoming a wholly-owned subsidiary of Willis Group Holdings plc. Immediately following the merger, Willis Group Holdings plc changed its name to Willis Towers Watson plc.

On 8 April 2016 the Company agreed to settle in principal litigation related to restrictive covenants on certain departures and the appropriation of business from the Fine Art, Jewelry and Specie team from the Company during 2015. On 28 April 2016, the other party to this matter, as part of this agreement, paid \$42 million to the Company by way of settlement and \$4 million on account of legal fees incurred by the Company.

31. Explanation of transition to FRS 101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the preparation of an opening FRS 101 balance sheet at 1 January 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (old UK GAAP). An explanation of how the transition from old UK GAAP to FRS 101 has affected the Company's financial position, financial performance is set out in the following tables and the notes that accompany the tables.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

31. Explanation of transition to FRS 101 (continued)

Reconciliation of equity 1 January 2014

		1 January 2014		
		Old UK GAAP	Effect of transition to FRS 101	FRS 101
	Notes	\$m	\$m	\$m
Fixed assets				
Intangible assets		209	-	209
Property, plant and equipment		27	-	27
Investments		36	-	36
		<u>272</u>	<u>-</u>	<u>272</u>
Current assets				
Debtors				
- Amounts falling due within one year	(i)	569	13	582
- Amounts falling due after more than one year	(ii)	<u>21</u>	<u>6</u>	<u>27</u>
		590	19	609
Fiduciary assets: amounts falling due within one year		3,497	-	3,497
Deposits and cash: Held in fiduciary capacity		910	-	910
Deposits and cash		<u>162</u>	<u>-</u>	<u>162</u>
		5,159	19	5,178
Current liabilities				
Creditors: amounts falling due within one year	(iii)	(285)	(3)	(288)
Fiduciary liabilities: amounts falling due within one year		<u>(4,407)</u>	<u>-</u>	<u>(4,407)</u>
		(4,692)	(3)	(4,695)
Net current assets		<u>467</u>	<u>16</u>	<u>483</u>
Total assets less current liabilities		739	16	755
Creditors: amounts falling due after more than one year		(6)	-	(6)
Provisions for liabilities		(41)	-	(41)
Defined pension plan surplus	(iv)	<u>264</u>	<u>(43)</u>	<u>221</u>
Net assets		<u>956</u>	<u>(27)</u>	<u>929</u>
Equity				
Called up share capital		153	-	153
Retained earnings		<u>803</u>	<u>(27)</u>	<u>776</u>
Shareholder's equity		<u>956</u>	<u>(27)</u>	<u>929</u>

WILLIS LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**
(continued)**31. Explanation of transition to FRS 101 (continued)***Notes to the reconciliation of equity*

	1 January 2014 \$m
Equity reported under UK GAAP	956
Adjustments to equity on transition to FRS 101	
(i) Recognition of the fair value of derivative instruments in debtors falling due within one year, net of deferred tax,	13
(ii) Recognition of the fair value of derivative instruments in debtors falling due after one year, net of deferred tax,	6
(iii) Recognition of the fair value of derivative instruments in creditors falling due within one year,	(2)
(iii) Other tax differences arising on FRS101 transition adjustments,	(1)
(iv) Movement on net pension asset, net of deferred tax.	(43)
Equity reported under FRS 101	929

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

31. Explanation of transition to FRS 101 (continued)

Reconciliation of equity 31 December 2014

		31 December 2014		
		Old UK GAAP	Effect of transition to FRS 101	FRS 101
		\$m	\$m	\$m
		Notes		
Fixed assets				
Intangible assets	(i)	186	26	212
Property, plant and equipment	(i)	38	(6)	32
Investments		36	-	36
		260	20	280
Current assets				
Debtors				
- Amounts falling due within one year	(ii)	606	17	623
- Amounts falling due after more than one year	(iii)	32	9	41
		638	26	664
Fiduciary assets: amounts falling due within one year		3,744	-	3,744
Fiduciary assets: amounts falling due after one year		219	-	219
Deposits and cash: Held in fiduciary capacity		1,001	-	1,001
Deposits and cash		149	-	149
		5,751	26	5,777
Current liabilities				
Creditors: amounts falling due within one year	(iv), (v)	(262)	(10)	(272)
Fiduciary liabilities: amounts falling due within one year		(4,763)	-	(4,763)
		(5,025)	(10)	(5,035)
Net current assets		726	16	742
Total assets less current liabilities				
		986	36	1,022
Creditors: amounts falling due after more than one year	(vi)	(14)	(9)	(23)
Fiduciary liabilities: amounts falling due after more than one year		(201)	-	(201)
Provisions for liabilities		(35)	-	(35)
Defined pension plan surplus	(vii)	289	(38)	251
Net assets		1,025	(11)	1,014
Equity				
Called up share capital		153	-	153
Retained earnings		872	(11)	861
Shareholder's equity		1,025	(11)	1,014

WILLIS LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**
(continued)**31. Explanation of transition to FRS 101 (continued)**

<i>Notes to the reconciliation of equity</i>	31 December 2014 \$m
Equity reported under UK GAAP	1,025
Adjustments to equity on transition to FRS 101	
(i) \$6 million reclassification of the carrying value of certain intangible assets from Property, plant and equipment and into Intangible assets. No net balance sheet impact. \$20 million reversal of amortisation charged on goodwill not amortised under FRS101;	20
(ii) Recognition of the fair value of derivative instruments in debtors falling due within one year, net of deferred tax	17
(iii) Recognition of the fair value of derivative instruments in debtors falling due after more than one year, net of deferred tax	9
(iv) Recognition of the fair value of derivative instruments in creditors falling due within one year	(12)
(v) Other tax differences arising on FRS101 transition adjustments	2
(vi) Recognition of the fair value of derivative instruments in creditors falling due after more than one year	(9)
(vii) Movement on net pension asset, net of deferred tax	(38)
Equity reported under FRS 101	1,014

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

31. Explanation of transition to FRS 101 (continued)

Reconciliation of profit for 2014

	Notes	Old UK GAAP \$m	Effect of transition to FRS 101 \$m	FRS 101 \$m
Brokerage and fees		1,007	-	1,007
Interest and investment income		2	-	2
Turnover		1,009	-	1,009
Operating expenses	(i)	(856)	20	(836)
Operating income/expenses - foreign exchange gain	(ii)	7	7	14
Profit on disposal of book of business		7	-	7
Restructuring costs		(10)	-	(10)
Operating profit		157	27	184
Interest receivable and similar income	(iii)	105	(69)	36
Profit on ordinary activities before taxation		262	(42)	220
Tax charge/credit on profit on ordinary activities	(iv)	(49)	13	(36)
Profit for the year		213	(29)	184

Notes to the reconciliation of profit

- (i) \$20 million reversal of amortisation previously charged on goodwill under UK GAAP
- (ii) \$7 million foreign exchange gain relating to the treatment of death in service benefits within the defined pension scheme net asset
- (iii) \$67 million reduction on expected return on defined benefit pension scheme assets and \$2m reduction in interest on pension scheme liabilities
- (iv) \$13 million tax credit relating to the above transition impacts

As described in note 1, the company has taken advantage of the disclosure exemption permitted under FRS 101 in relation to presentation of a cash flow statement.