WILLIS LIMITED

Registered Number 00181116

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Directors

Executive Directors
James ED Vickers
Claire Powell
Nicolas Aubert
Catherine Roy
John P Cavanagh (appointed 12 January 2016)
Alastair JP Swift (appointed 8 June 2016)
Eloise M Martin (appointed 15 September 2016)
Mary T O'Connor (appointed 8 March 2017)
Peter J Carter (appointed 14 March 2017)

Non-executive Directors
Rodney P Baker-Bates (Chairman)
Sarah J Turvill
Rosemary Hilary (appointed 6 October 2016)
James H Willens (appointed 11 October 2016)
Peter A Shaw (appointed 9 November 2016)

Secretary

Marcus P Dowding

Registered Office

51 Lime Street
London, EC3M 7DQ

Auditor

Deloitte LLP
London

WILLIS LIMITED

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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 a leading global advisory, broking and solutions provider that helps clients around the world turn risk into a path for growth.

Our clients operate on a global and local scale in a multitude of businesses and industries throughout the world and generally range in size from large, major multinational corporations to middle-market domestic and international companies. Our clients include many of the world's leading corporations and insurance companies. We work with major corporations, emerging growth companies, governmental agencies and not-for-profit institutions in a wide variety of industries, with many of our client relationships spanning decades.

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'). The Company is domiciled and incorporated in the UK. At 31 December 2016, the Company had branches in the following European Economic Area member states other than the UK: Belgium; France; The Netherlands; and Spain.

On 4 January 2016 a merger was completed between Willis Group Holdings plc ('Willis') 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 continuing, and from 1 April 2016 the Group managed and reported operating results across four integrated business segments:

- Human Capital and Benefits
- Corporate Risk and Broking
- Investment, Risk and Reinsurance, and
- Exchange Solutions

For the period to 1 April 2016 and comparative periods, the Company operated under the previous business segments of Willis International; Willis North America; Willis Capital, Wholesale & Reinsurance; and Willis Great Britain.

There have been no significant changes in the Company's principal activities in 2016. 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 2016, the activities of the business segments for the Group and the Company were as follows:

Human Capital and Benefits

The Willis Towers Watson Human Capital & Benefits segment provides an array of advice, broking, solutions and software for employee benefit plans, our clients' human resources organisations and management teams. The Company does not have any activities within this business segment.

Corporate Risk and Broking

Our Corporate Risk & Broking ('CRB') segment provides a broad range of risk advice, insurance brokerage and consulting services to clients worldwide ranging from small businesses to multinational corporations. We deliver integrated global solutions tailored to client needs and underpinned by data and analytics. Within the Company the CRB business is arranged in four business lines.

Property and Casualty

Property and Casualty provides property and liability insurance brokerage services across a wide range of industries including construction, real estate, healthcare and natural resources. The business line contains our Construction, Natural Resources, Property and Casualty and UK Retail practices:

Company activities and review of developments (continued)

The Company's business model (continued)

Corporate Risk and Broking (continued)

Property and Casualty (continued)

Our Construction practice provides risk management advice and brokerage services for a wide range of international construction activities. Clients of the Construction practice include contractors, project owners, project managers, consultants and financiers.

Our Natural Resources practice encompasses the oil and gas, mining, power and utilities sectors; and provides services including property damage, offshore construction liability and other services to global clients.

Our Property and Casualty practice provides the Group's 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 UK Retail practice serves corporate businesses seeking UK based expertise in insurance broking and risk management services.

Financial Lines

Financial Lines specialises in brokerage services for financial, political and credit risks. Our clients include financial institutions and professional services firms from around the globe that require coverage for areas ranging from business risks, such as trade credit, directors and officers and medical malpractice, to external threats, for example cyber-attacks and terrorism.

Transport

Transport provides specialist expertise to the transportation industry and aerospace, marine and inspace practices. Our aerospace business provides insurance brokerage and risk management services to aerospace clients worldwide, including the world's leading airlines, aircraft manufacturers, air cargo handlers and other airport and general aviation companies. Our marine business provides insurance brokerage services, including hull, cargo, protection and indemnity and general marine liabilities. Our marine clients include ship owners, ship builders, logistics operations, port authorities, traders and shippers. The specialist inspace team is also prominent in providing insurance and risk management services to the space industry.

Facultative

Facultative serves as a broker or intermediary for insurance companies looking to arrange reinsurance solutions across classes of risk, which enable them to deliver differentiated outcomes to their direct insureds, which in many situations are also clients of the wider Willis Towers Watson business. The facultative business also works closely with our treaty reinsurance business to structure reinsurance solutions that deliver capital and strategic benefits to insurance company clients.

Investment, Risk and Reinsurance

The Willis Towers Watson Investment, Risk and Reinsurance ('IRR') segment applies a sophisticated approach to risk which helps clients free up capital and manage investment complexity. The segment works closely with investors, reinsurers and insurers to manage the equation between risk and return. IRR provides investment consulting services and insurance specific services and solutions through reserves opinions, software, ratemaking, usage-based insurance, risk underwriting, and reinsurance broking. The segment includes the following businesses and offerings: Willis Re; Capital Markets & Advisory; Wholesale Insurance Broking; Portfolio and Underwriting Services; Risk Consulting and Software; and Investment.

The IRR segment contains the Company's reinsurance and wholesale activities as follows:

Company activities and review of developments (continued)

The Company's business model (continued)

Investment, Risk and Reinsurance (continued)

Willis Re

Willis Re provides reinsurance industry clients with an understanding of how risk affects capital and financial performance and advises on the best ways to manage related outcomes. The business is operated on a global basis and provides a complete range of transactional capabilities, including, in conjunction with Willis Capital Markets & 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 modelling, financial analysis and risk management advice. The Company includes the UK based operations (incorporating some non-UK branch offices) of Willis Re.

Wholesale Insurance Broking

Wholesale Insurance Broking provides wholesale and specialist broking services to retail brokers worldwide, through Willis Towers Watson and London based specialist broker Miller Insurance Services LLP. The Company's activities include the Fine Art, Jewellery and Specie and Hughes-Gibb businesses.

Exchange Solutions

The Willis Towers Watson Exchange Solutions segment provides primary medical and ancillary benefit exchange and outsourcing services to active employees and retirees across both the group and individual markets. The Company does not have any activities within this business segment.

Strategy

The Company's strategy is aligned with the Willis Towers Watson Group strategy. We continue to integrate Willis and Towers Watson, while creating a unified platform for global growth, including positioning the Company to leverage our mutual distribution strength to enhance market penetration, expand our global footprint and create a strong platform for further innovation. The fully integrated Company has a comprehensive offering of services and solutions to provide to clients.

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 believe we can 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 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, developing the skills of our staff, and lowering our costs of doing business;
    - making the necessary changes to our processes, our IT, our real estate and our workforce locations; and
    - targeting and delivering identified, highly achievable cost savings as a direct consequence of the merger of Willis and Towers Watson.

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 shared values, a framework that guides how we run our business and serve clients.

Through these strategies the Group aims to accelerate revenue, cash flow, earnings before interest, taxes, depreciation and amortisation ('EBITDA') and earnings growth and generate compelling returns for investors by delivering tangible revenue growth and capitalising on the identified cost synergies.

The Company plays an integral part in this Group strategy.

Financial Results for the Year Ended 31 December 2016

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

	2016	2015	Movement	% Change
	$m	$m	$m	
Turnover	925	940	(15)	(2)%
Operating expenses (including pension past service credit)	(691)	(594)	(97)	(16)%
Profit on ordinary activities before taxation	106	442	(336)	(76)%
Shareholder's equity	1,135	1,263	(128)	(11)%
Current Assets as % of Current Liabilities	110%	111%		
Average number of employees (note 6)	3,207	3,341		

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.

In 2016, the Company's turnover was $925 million, a $15 million (2 percent) decrease on 2015 ($940 million). The reduction includes an adverse foreign exchange impact of $25 million driven by the stronger US dollar against the pound sterling and Euro. Underlying revenue (excluding the impact of foreign exchange) increased by $10 million as a result of:

- Higher revenue from the Wholesale Insurance business ($21 million) reflecting $40 million proceeds of a legal settlement offset by the reduction in revenue from that business following a team departure;
- Growth in our Corporate Risk and Broking business in Great Britain ($4 million);
- Increased revenues in our Reinsurance business ($3 million) with new business growth compensating for the adverse impact of lower reinsurance premiums and lost business, partly offset by;
- $18 million lower revenue in our North American and International Corporate Risk and Broking businesses and Corporate reflecting the availability of better client outcomes through trading in non-UK insurance markets.

Operating expenses net of foreign exchange of $691 million were $97 million higher than in 2015. A $215 million credit arising from the defined benefit scheme salary freeze was included in 2015. Excluding this item, operating expenses decreased by $118 million primarily in salaries and benefits costs with savings driven by the operational improvement program and lower pension charges following the actions taken in 2015. Salary costs are predominantly incurred in pounds sterling, and salary and benefits expenses were favourably affected by the impact of foreign exchange.

Profit before tax of $106 million was $336 million lower than prior year, with the decrease in turnover together with increased operating expenses (taking account of prior year pension credit as described above) contributing $112 million of this reduction. The remaining $224 million profit before tax reduction consisted of $139 million adverse movement in foreign exchange, $80 million lower profits on disposals of businesses and investment impairment of $28 million, partly offset by a reduction in restructuring charges of $12 million and increased interest receivable of $11 million.

Company activities and review of developments (continued)

Financial Results for the Year Ended 31 December 2016 (continued)

The $139 million adverse foreign exchange movement is driven by the devaluation of pounds sterling versus the US dollar during the year, with a resultant retranslation loss of the pound sterling defined benefit pension scheme asset and realised losses on the crystallisation of forward currency sales designed to hedge against the pound sterling expense base. The loss on disposal of businesses includes a $6 million loss on disposal of a book of business to Miller Insurance Services LLP ('Miller'), a fellow Group undertaking. This compares to a $74 million profit on disposal of a number of wholesale businesses to Miller, and a number of retail disposals during 2015. The impairment of fixed asset investments of $28 million relates to the investment in PPH Limited, a subsidiary undertaking, following a dividend receipt of $26 million included within interest receivable. The increased interest receivable includes a $12 million year on year increase in other finance income relating to the defined benefit pension scheme and $5 million increase on interest from fellow group companies, partly offset by a $6 million reduction in dividends received from subsidiaries.

Profit after tax of $105 million reduced by $281 million on 2015 (2015: profit of $386 million), with a reduction in profit before tax of $336 million, partly offset by a $55 million reduction in the total tax charge. Of the $55 million tax charge decrease, $43 million relates to the defined benefit pension scheme salary freeze. Excluding this item the tax charge decreased by $12 million.

Key Performance Indicators

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; and
- *Salaries and benefits expense as a percentage of revenue:* The value of our salary and benefits expense, including incentives, expressed as a percentage of revenue in the same period.

Shareholder's Equity and Other Resources

Shareholder's equity fell by $128 million to $1,135 million, reflecting increases from:

- $105 million net profit after tax as described above;
- $36 million equity-settled share based payments; and
- $28 million deferred tax increase to equity attributed primarily to other comprehensive income movements on the pension scheme net asset and unrealised losses on currency sales;

partly offset by:

- $132 million actuarial loss on the defined benefit pension scheme, with a $539 million increase in the scheme liability attributed primarily to a reduction in discount rates in the year, partly offset by a $407 million increase to the scheme asset following stronger asset returns;
- $100 million dividend payment on 30 December 2016;
- $62 million unrealised loss increase relating to the fair value of derivative instruments (forward currency sales) following the significant movements in the value of the pound sterling, Euro and Japanese Yen to the US dollar during the year; and
- $3 million net currency translation movement on the UK retail sterling branch.

The Directors review the adequacy of the Company's capital relative to the risks it faces on a regular basis.

The Company's $20 million revolving credit facility, taken out in 2010 and secured against the Company's real estate assets, has not been drawn upon during 2016 or 2015.

Company activities and review of developments (continued)

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 reduced by $128 million as a result of:

- $113 million reduction in the net defined benefit pension asset;
- $62 million increase in the net liability of the fair value of derivative instruments;
- $56 million decrease in net fiduciary assets, excluding cash held in a fiduciary capacity;
- $28 million reduction in investments in subsidiaries driven by an impairment in the valuation of PPH Limited following a $26 million dividend payment to the Company; and
- $9 million reduction in goodwill and intangibles driven by amortisation and business disposals,

partly offset by:

- $54 million increase in cash held in bank, comprising $56 million increase in cash held in a fiduciary capacity net of a reduction of $2 million in own cash held;
- $51 million decrease in the total of trade creditors, other creditors and accruals driven by lower incentive accruals and income deferrals;
- $16 million increase in prepayments and other debtors, including increased deferred tax asset increases on derivative instrument liabilities;
- $12 million increase in trade debtors;
- $4 million reduction in provisions for liabilities following utilisation of severance provisions;
- $2 million decrease in the remaining net intercompany debtor balance; and
- $1 million increase in fixed assets.

Developments during the year

On 2 February 2016 the Company disposed of the new and renewal business of professional indemnity insurance relating to UK solicitors to Miller Insurance Services LLP, a fellow Group company, for $5 million, with historical transactions and associated accounting entries continuing to be run off in the Company. This book contributed $nil (2015: $5 million) of turnover during the year. A charge of $11 million was incurred on the disposal of goodwill in relation to this operation, resulting in a net loss of $6 million.

On 31 March 2016, following the receipt of dividend from PPH Limited ($26 million), the Company wrote down the cost of investment held in PPH Limited resulting in an impairment charge of $28 million.

On 8 April 2016 the Company agreed to settle in principle litigation related to restrictive covenants on certain departures and the appropriation of business from the Fine Art, Jewellery and Specie team during 2015. On 28 April 2016, the other party to this matter, as part of this agreement, paid $40 million to the Company by way of settlement, which is recorded within Turnover as Other Income.

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 1 July 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 corresponding curtailment gain which was recognised in the income statement in 2015.

Company activities and review of developments (continued)

Defined Benefit Pension Scheme (continued)

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 which the Company will make to the UK Plan to the end of 2024.

Based on the revised agreement, contributions in 2016 were approximately $75 million, being deficit funding contributions of approximately $57 million and on-going contributions of approximately $18 million.

Deficit funding contributions in 2017 will total approximately $19 million. Annual Legacy Willis Group deficit funding contributions will remain at approximately $19 million to 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 $12 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.

Operational improvement program

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

The primary elements of the program include:

- moving support roles from higher cost locations to facilities in lower cost locations;
- net workforce reductions in support positions; and
- lease consolidation in real estate and information technology systems simplification and rationalisation.

The program began in the second quarter of 2014 and will be completed by the end of 2017. The Company is performing an integral role in this operational improvement program in both the IRR and CRB segments.

The Company's restructuring costs of $25 million related to the operational improvement program incurred in 2016 included:

- $16 million in CRB GB, comprising $9 million termination benefits and $7 million professional services and other program costs;
- $2 million in CRB International, all of which was termination benefits;
- $5 million in IRR, comprising $3 million termination benefits and $2 million professional services and other program costs within the Reinsurance division; and
- $2 million in Corporate and other, comprising professional services and other program costs.

These costs are in addition to the Company's restructuring costs of $37 million related to the operational improvement program incurred in 2015, which included $14 million of termination benefits and $23 million of professional fees and other program costs.

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 Financial Conduct Authority ('FCA'), the Company's capital requirements are set out in both the Threshold Conditions 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:

Change Risk

The Group and Company have recently undergone several significant business and organisational changes, including the merger of Willis and Towers Watson, as well as the ongoing multi-year operational improvement program. In addition, as we have experienced, competition to retain or recruit talent is heightened in a challenging rate environment or during a time when we are experiencing significant change. Effectively managing these organisational changes is critical to retaining talent, servicing clients and our business success overall. The Company manages this risk through robust change governance processes, mechanisms to retain key employees, delivery of the planned operational improvement program benefits and through ongoing monitoring of key performance indicators designed to provide early notice of declining performance. The Company has a robust approach to change management and the relevant governance forums are utilised to consolidate activity and monitor and adjust that activity to reflect the resource and change capability available from time to time.

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 2016 of $30.3 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 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 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.

The Board considers the Company's exposure to the Group when setting the Company's capital requirement and risk appetite. The Company maintains and regularly refreshes a detailed response plan to provide a framework to enable the timely notification, invocation and management of the initial response to a Parental Failure scenario through documented processes.

Economic Environment and Competition

The markets for our principal services are highly competitive. 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 also continue to 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 in respect of the pension scheme fund is $389 million (net of tax) (2015: $502 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.

Principal risks and uncertainties *(continued)*

Pension Risks(continued)

The last actuarial valuation of the scheme performed as at 31 December 2013, showed 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.

Errors and Omissions Risk

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 its own program of insurance cover in respect of these risks.

Regulatory, Legal and Conduct Risk

The Company is subject to regulation from the 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 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 FCA'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 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 applicable 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 the Compliance and Internal Audit departments.

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 potential scenarios 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.

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 also 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 through active collection of the debts thereby 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 and money-market funds. 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 Client Asset Sourcebook ('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 addresses these risks. These controls are subject to ongoing review and testing.

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.

Principal risks and uncertainties *(continued)*

Data security risk (continued)

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 and/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. On 29 March 2017, the British government triggered Article 50 of the Treaty of Lisbon, giving formal notification of the UK's intention to withdraw from membership of the European Union (the 'EU').

At this time, we are not able to predict the impact that Article 50 will have on the economy; economic, regulatory and political stability; and market conditions in Europe, including in the UK, or on pounds sterling, Euro or other European currencies, but any such impacts and others we cannot currently anticipate could materially adversely affect us and our operations. Among other things, we could experience: lower growth in the region due to indecision as businesses hold off on generating new projects or due to adverse market conditions; and reduced reported revenues and earnings because foreign currencies may translate into fewer US dollars due to the fact that we translate revenue denominated in non-US currencies such as pounds sterling into US dollars for our financial statements. In addition, there can be no assurance that our hedging strategies will be effective.

The British government will negotiate the terms of the UK's future relationship with the EU over the next two years. Although it is unknown and we cannot anticipate what those terms will be, they may result in greater restrictions on business between the UK and EU countries and increased regulatory complexities. There is also uncertainty regarding how the UK's access to the EU Single Market and the wider trading, legal, regulatory, tax and labour environments, especially in the UK and EU, will be impacted, including the resulting impact on our business and that of our clients. Any such changes may adversely affect our operations and financial results. For example, any changes to the passporting or other regulations relating to doing business in various EU countries by relying on a regulatory permission in the UK (or doing business in the UK by relying on a regulatory permission in an EU country) could increase our costs of doing business, or our ability to do so. As another example, changes in labour laws may impact the ability to hire and retain non-UK staff in the UK or UK staff in the EU In addition, the outcome of the referendum has created uncertainty with regard to the regulation of data protection in the UK Among other things, it is unclear whether the UK will enact legislation similar to the pending European General Data Protection Regulation post-Brexit, and how data transfers to and from the UK will be regulated. A change in such regulations, or other regulations, could increase our costs of doing business, or in some cases our ability to do business, and adversely impact our operations and financial results.

Principal risks and uncertainties (continued)

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. The Company manages this risk through processes of supplier and partner selection and onboarding and an ongoing programme of monitoring and review to ensure that our outsource partners remain appropriate.

Environment

The Company recognises the importance of its environmental responsibilities and through the Group 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 its activities.

Employees

Details of the number of employees and related costs can be found in note 6 to the financial statements on page 34.

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, to support the achievement of the Group's vision and business strategy and to facilitate their personal development.

By Order of the Board

Nicolas Aubert
Director
51 Lime Street
London EC3M 7DQ

WILLIS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their annual report, together with the audited financial statements, for the year ended 31 December 2016.

Merger with Towers Watson & Co.

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.

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 2016, 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 $100 million was paid on 30 December 2016 (28 May 2015: $150 million). The Directors do not recommend the payment of a final dividend (2015: $nil).

Employees

It is the Company's and 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.

The Modern Slavery Act 2015 (the 'Act') came into force in March 2015 and has helped clearly define and codify offences relating to modern slavery and human trafficking.

The Directors have presented a statement (Appendix I) which provides information about our business and how we have taken steps to investigate and mitigate the risk of modern slavery and human trafficking within our supply chain.

Directors

The current Directors of the Company are shown on page 1, which forms part of this report. The following Directors resigned from the Board since the last Directors' Report:

- Alistair JC Rivers - 8 June 2016
- Alan P Dickinson - 30 December 2016
- David V Paige - 30 December 2016
- Sir Jeremy J Hanley - 28 February 2017
- Neil Perry - 7 April 2017

The following Directors joined the Board since the last Directors' Report:

- John P Cavanagh - 12 January 2016
- Alastair JP Swift - 8 June 2016
- Eloise M Martin - 15 September 2016
- Rosemary Hilary - 6 October 2016
- James H Willens - 11 October 2016
- Peter A Shaw - 9 November 2016
- Mary T O'Connor - 8 March 2017
- Peter J Carter - 14 March 2017

There were no other changes in Directors during the year or after the year end.

Statement of Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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

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 2016 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 30. 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 2016 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.

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

23 May 2017

WILLIS LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 $m	2015 $m
Brokerage and fees	3	**881**	937
Other income	4	**40**	-
Interest and investment income		**4**	3
Turnover		**925**	940
Operating expenses (including pension past service credit of $215 million for 2015)		**(691)**	(594)
Operating (expense)/income – foreign exchange (loss)/gain	5	**(135)**	4
(Loss)/gain on disposal of book of business	8	**(6)**	74
Impairment of fixed asset investments	9	**(28)**	-
Restructuring costs	10	**(25)**	(37)
Operating profit	5	**40**	387
Interest receivable and similar income	11	**66**	56
Interest payable and similar costs	12	**-**	(1)
Profit on ordinary activities before taxation		**106**	442
Tax charge on profit on ordinary activities	13	**(1)**	(56)
Profit for the year		**105**	386

All activities derive from continuing operations.

WILLIS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 $m	2015 $m
Profit for the year		**105**	386
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit pension scheme	25	**(132)**	29
UK deferred tax attributable to actuarial (loss)/gain	13	**22**	(6)
UK deferred tax attributable to rate change	13	**(5)**	(9)
Net effect of exchange rates on pension movements		**-**	(9)
Net UK deferred tax effects of exchange rates on pension movements	13	**-**	2
Net currency translation loss on the UK retail business		**(3)**	-
		(118)	7
Items that are or may be reclassified subsequently to profit or loss:			
Derivative instruments:			
- Losses on forward contracts (effective element)		**(101)**	(24)
- Reclassification adjustments for forward exchange contracts included in income statement		**39**	(4)
Tax on items relating to components of comprehensive income	13	**11**	6
Other comprehensive loss for the year, net of income tax		**(169)**	(15)
Total comprehensive (loss)/income for the year		**(64)**	371

WILLIS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2016

	Notes	2016 $m	2015 $m
Fixed assets			
Intangible assets	15	**223**	232
Tangible fixed assets	16	**31**	30
Investments	17	**6**	34
		260	296
Current assets			
Debtors:			
Amounts falling due within one year	18	**656**	642
Amounts falling due after more than one year	18	**33**	28
		689	670
Fiduciary assets: amounts falling due within one year	19	**3,707**	3,668
Fiduciary assets: amounts falling due after more than one year	19	**144**	173
Deposits and cash: held in fiduciary capacity	19	**1,076**	1,020
Deposits and cash		**142**	144
		5,758	5,675
Current liabilities			
Creditors: amounts falling due within one year	20	**(309)**	(306)
Fiduciary liabilities: amounts falling due within one year	21	**(4,780)**	(4,664)
		(5,089)	(4,970)
Net current assets		**669**	705
Total assets less current liabilities		**929**	1,001
Creditors: amounts falling due after more than one year	22	**(3)**	(6)
Fiduciary liabilities: amounts falling due after more than one year	21	**(147)**	(197)
Provisions for liabilities	23	**(33)**	(37)
Net assets excluding pension plan surplus		**746**	761
Defined pension plan surplus	25	**389**	502
Net assets including pension plan surplus		**1,135**	1,263
Equity			
Called up share capital	24	**153**	153
Retained earnings		**982**	1,110
Shareholder's equity		**1,135**	1,263

The financial statements of Willis Limited, registered company number 00181116, were approved by the Board of Directors and authorised for issue on 23 MAY 2017 and signed on its behalf by:

Peter J Carter
Director

WILLIS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Called up share capital $m	Retained earnings $m	Total equity $m
Balance at 1 January 2015		153	861	1,014
Profit for the year		-	386	386
Other comprehensive income:				
Actuarial gain on defined benefit pension scheme	25	-	29	29
Net effects 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 year		-	371	371
Equity-settled share based payment transactions	30	-	28	28
Dividends to shareholders	14	-	(150)	(150)
Balance at 31 December 2015		**153**	**1,110**	**1,263**
Profit for the year		-	105	105
Other comprehensive income:				
Actuarial loss on pension scheme	25	-	(132)	(132)
Net currency translation loss on the UK retail business		-	(3)	(3)
Reclassification adjustments for forward exchange contracts included in income statement		-	39	39
Losses on forward contracts (effective element)		-	(101)	(101)
Tax on items relating to components of other comprehensive income		-	28	28
Total comprehensive loss for the year		-	(64)	(64)
Equity-settled share based payment transactions	30	-	36	36
Dividends to shareholders	14	-	(100)	(100)
Balance at 31 December 2016		**153**	**982**	**1,135**

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 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 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.

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, a company incorporated in Ireland, whose registered office is Willis Towers Watson House, Elm Park, Merrion Road, Dublin 4, 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, whose financial statements are available to members of the public on the Group's website www.willistowerswatson.com, in the Investor Relations section.

Revenue recognition

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

1. Accounting policies (continued)

Revenue Recognition (continued)

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 when approved by or agreed between the parties and collectability is reasonably assured.

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 2016 the Company had two principal divisions:

- Retail Network business (our UK retail business) which forms part of the Property and Casualty business unit within the Corporate Risk and Broking (CRB) segment; and
- all other activities of the Company (our non-retail business), including the remaining activities of the CRB segment and all of the Investment, Risk and Reinsurance and Corporate segments.

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.

The Company aligns its operating activities and divisions to that of the Group and as such from time to time will restructure and merge divisions. From 1 January 2017 the Retail Network division will not be readily identifiable as a separate division and as such will no longer be accounted for as a separate branch of the Company, so there will no longer be a separate pound sterling functional branch from this date.

(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.

1. **Accounting policies (continued)**

Foreign currency translation (continued)

(ii) Non-retail business (continued)

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).

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 view 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. Amortisation is calculated as follows:

Acquired client relationships in line with underlying cash flows over 5 to 20 years
Software development costs on a straight line basis over 4 to 7 years

Tangible fixed assets

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

Freehold buildings	2 per cent per annum
Freehold land	Not depreciated

Expenditure for improvements is capitalised; repairs and maintenance 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.

1. Accounting policies (continued)

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.

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 2015. 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.

1. Accounting policies (continued)

Pension costs (continued)

Defined benefit scheme (continued)

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 (if applicable) 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.

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 income statement 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, 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 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 of options 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. The fair value of each time-based restricted stock unit is based on the grant date fair value. The fair value of each performance-based restricted stock unit is estimated on the grant date using a Monte-Carlo simulation that uses the following assumptions: Expected volatility is based on the historical volatility of the Group's shares and the risk-free rate is based on the US Treasury yield curve in effect at the time of the grant.

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.

WILLIS LIMITED

1. Accounting policies (continued)

Income Taxes (continued)

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.

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 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, receivables 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.

1. **Accounting policies (continued)**

Recent accounting pronouncements adopted in the current period

The Company did not adopt any new International Financial Reporting Standards ('IFRSs') or interpretations ('IFRICs') issued by the International Accounting Standards Board ('IASB') during the year ended 31 December 2016 and no amendments to IFRSs or International Accounting Standards ('IASs') issued or adopted by the IASB had a significant effect on its financial statements.

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. In July 2016, the FRC issued further amendments to FRS101 as part of its 2015-2016 update. Each amendment not already effective for the Company's 2016 accounting year will be mandatorily effective for the Company's 2017 or 2018 accounting year. The changes include reflecting the following standards issued by the IASB and endorsed by the EU but effective after 31 December 2016:

- 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 IASB issued an amendment to IFRS 15 deferring the effective date but permitting early adoption at the original effective date. Consequently 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 still in the process of analyzing its various revenue streams to determine the full impact this standard will have on its revenue recognition, cost deferral, systems and processes. The Company has determined the following:
  - The Company will adopt the standard using the modified retrospective approach on 1 January 2018.
  - The Company believes there may be other types of arrangements with associated costs that do not meet the rules for cost deferral under current IFRSs but do meet the rules under the new standard. We are still evaluating the types of arrangements that might now have cost deferral impacts.
  - The Company continues to update its assessment of the impacts of the accounting standard, and related updates, to the financial statements.
- 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. 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.

1. Accounting policies (continued)

Recent accounting pronouncements to be adopted in future periods (continued)

The following standard has been issued by the IASB but not endorsed by the EU:

- 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 and/or any other required UK endorsement, the standard 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, however a limited impact is anticipated at present as the Company is not typically a direct party to lease arrangements.

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.

2. Critical accounting judgements and estimates (continued)

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 2016, 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 15 for the carrying amount of goodwill. No impairment of goodwill was identified in 2016 or 2015.

Acquired customer relationships

During the year, management reconsidered the recoverability and estimated useful economic lives of its intangible acquired customer relationship assets which is included in its balance sheet at $15 million (see note 15). Management is confident that the carrying amount of the asset will be recovered in full and that the useful economic lives remain appropriate.

Software and development costs

During the year, management reconsidered the recoverability and estimated useful economic lives of its intangible software and development costs asset which is included in its balance sheet at $22 million (see note 15. Management is confident that the carrying amount of the asset will be recovered in full and that the useful economic lives remain appropriate.

Useful economic lives of tangible fixed assets

The annual depreciation charge for freehold land and buildings 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 16 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 17 for the carrying amount of investments in subsidiaries. An impairment loss of $27 million (2015: $nil) was recognised in the year.

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 18 for the carrying amount of loans and receivables. No impairment loss was recognised in 2016 or 2015.

2. Critical accounting judgements and estimates (continued)

Key sources of estimation uncertainty (continued)

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 13.

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 23.

Funded defined benefit pension scheme

With effect from 1 January 2016, the Company changed to the granular approach to calculating service and interest cost. This was treated as a change in accounting estimate and resulted in a credit of $11 million which was included in other finance income.

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 25.

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	**2016 $m**	2015 $m
United Kingdom	**310**	370
North America	**160**	155
Rest of the world	**411**	412
	881	937

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. Other income	2016 $m	2015 $m
Other income	**40**	-

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, Jewellery and Specie team from the Company during 2015. On 28 April 2016, the other party to this matter, as part of this agreement, paid $40 million to the Company by way of settlement.

5. Operating profit	2016 $m	2015 $m
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets (note 16)	**2**	2
Amortisation of intangible assets (note 15)	**5**	2
Current service cost of pension schemes:		
- defined benefit scheme (note 25)	**24**	(169)
- defined contribution scheme (note 25)	**16**	16
Net foreign currency exchange differences	**135**	(4)
Operating lease payments:		
- rental income	**(1)**	(5)
Total lease and sublease payments recognised in the income statement	**(1)**	(5)

The foreign exchange loss of $135 million (2015: gain of $4 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, the defined benefit pension scheme net asset and the close out of forward currency sale contracts.

Auditors' remuneration

	2016	2015
Statutory accounts audit fee	**692**	796
Audit-related assurance services	**95**	72
	787	868

Auditor's remuneration of £637,000 ($787,000) (2015: £589,000 ($868,000)) was borne by another Group company.

6. Employee costs	2016 $m	2015 $m
Salaries and incentives	**491**	534
Social security costs	**47**	59
Pension costs:		
- defined benefit scheme (note 25)	**24**	(169)
- defined contribution scheme (note 25)	**17**	16
Gross employee costs	**579**	440
Amounts borne by fellow subsidiary undertakings	**(102)**	(97)
Net employee costs	**477**	343

Number of employees – average for the period	2016 Number	2015 Number
Producer	**545**	550
Client services	**1,599**	1,740
Management/administration services	**1,063**	1,051
	3,207	3,341

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 25 on page 46.

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 $97 million in 2015 to $102 million in 2016.

The Company recognised total expenses in 2016 of $37 million (2015: $28 million expense) related to equity-settled share-based payment transactions to employees (included within salaries and incentives above). Further details are presented in note 30 on page 51.

7. Directors' remuneration

	2016 $000	2015 $000
Emoluments (excluding pension contributions, benefits and long-term incentive awards)	**7,520**	7,247
Benefits	**23**	35
Pension contributions	**270**	308
Consideration for loss of office	**-**	206
Amounts receivable under long-term incentive rewards	**4,315**	6,418
	12,128	14,214
Highest paid Director:		
Emoluments (excluding pension contributions, benefits and long-term incentive awards)	**2,263**	1,745
Benefits	**1**	-
Pension contributions	**27**	69
Amounts receivable under long-term incentive rewards	**2,155**	1,974
	4,446	3,788
Exercise of share options during the year	**1,837**	1,726
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	**-**	-

	2016 Number	2015 Number
Directors exercising share options	**2**	5
Directors receiving shares under long-term incentive plans	**1**	7
Directors eligible for defined benefit pension schemes	**3**	1
Directors eligible for defined contribution pension schemes	**5**	4

The Directors working for the Company are employed by other subsidiary undertakings of Willis Towers Watson plc.

8. (Loss)/gain on disposal of books of business	2016 $m	2015 $m
(Loss)/gain on disposal of books of business	(6)	74

On 2 February 2016, the Company disposed of the new and renewal business of professional indemnity insurance relating to solicitors to Miller Insurance Services LLP, a fellow Group undertaking, for proceeds totalling $5 million. A charge in relation to the disposal of goodwill was recognised of $11 million, resulting in an overall loss on disposal of $6 million.

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 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.

9. Impairment of fixed asset investments	2016 $m	2015 $m
Fixed asset investment impairment charges	28	-

On 31 March 2016, following receipt of a dividend from PPH Ltd, the Company wrote down the cost of investment held in PPH Ltd which resulted in a charge of $28 million.

10. Restructuring costs	2016 $m	2015 $m
Restructuring costs	25	37
The tax effect in the profit and loss account relating to this item is:		
Tax credit on restructuring costs	5	7

The restructuring costs of $25 million (2015: $37 million) related to the Group operational improvement program and, additionally in 2016, merger integration costs.

In 2016 this consisted of $14 million of termination costs related to the elimination of positions in both the Investment, Risk and Reinsurance (IRR) and Corporate Risk and Broking (CRB) segments, in addition to approximately $9 million of professional fees relating to project management and consultancy services and $2 million relating to merger integration costs.

In 2015 this consisted of $14 million of termination costs related to the elimination of positions from the Willis GB and UK Reinsurance divisions, in addition to approximately $23 million of professional fees related to a study on process improvement.

11. Interest receivable and similar income	2016 $m	2015 $m
Interest receivable from Group undertakings	7	3
Total interest income for financial assets measured at amortised cost	7	3
Income from shares in subsidiary undertakings	26	32
	33	35
Other finance income		
Return on pension scheme assets (note 25)	114	123
Interest on pension scheme liabilities (note 25)	(81)	(102)
	33	21
Total interest receivable and similar income	66	56

12. Interest payable and similar costs	2016 $m	2015 $m
Interest payable to Group undertakings	-	2
Other loans	-	(1)
Total interest expense	-	1
Total interest payable and similar costs	-	1

13. Tax charge on profit on ordinary activities	2016 $m	2015 $m
(a) Analysis of charge for the year		
Current tax:		
UK corporation tax	14	13
Adjustments in respect of prior periods	1	3
	15	16
Foreign tax	-	1
Total current income tax	15	17
Deferred tax:		
Origination and reversal of timing differences	18	54
Impact of changes in tax rates	(11)	(12)
Foreign exchange on deferred tax	(21)	(3)
Total deferred tax (note 13 (e))	(14)	39
Tax expense in the income statement (note 13 (c))	1	56

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

	2016 $m	2015 $m
(b) Tax relating to items charged or credited to other comprehensive income		
Deferred tax:		
Actuarial losses/(gains) on defined benefit pension plans	**22**	(6)
Net loss on revaluation of cash flow hedges	**11**	6
Deferred tax effects of exchange rates on pension movements	**-**	2
Change in tax laws and rates	**(5)**	(9)
Total deferred tax	**28**	(7)
Tax expense/(credit) in the statement of other comprehensive income	**28**	(7)

	2016 $m	2015 $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 (20.0%) (2015: 20.25%). The differences are explained below:		
Profit on ordinary activities before taxation	**106**	442
Tax calculated at UK standard rate of corporation tax of 20.0% (2015: 20.25%)	**21**	90
Effects of:		
Expenses not deductible for tax purposes	**2**	1
Non-taxable income – dividends received and legal settlement	**(13)**	(7)
Loss/(gain) on the disposal of book of business (note 8)	**1**	(15)
Write down of fixed asset investment	**6**	-
Share-based payment relief	**(2)**	-
Changes in deferred tax laws and rates	**(11)**	(12)
Tax overprovided in previous years	**1**	3
Other adjustments including the effects of exchange rates and differences in aggregated deferred and current tax rates	**(4)**	(4)
Total tax expense reported in the income statement (note 13(a))	**1**	56

(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. The Finance Act 2016, which received royal assent on 15 September 2016, subsequently reduced the main rate of corporation tax from 18% to 17% from 1 April 2020. As the changes were substantively enacted prior to 31 December 2016, they have been reflected in these financial statements.

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

(e) Deferred tax	2016 $m	2015 $m
The deferred tax included in the balance sheet is as follows:		
Deferred tax liability		
Timing difference on pension asset	**(80)**	(111)
	(80)	(111)
Deferred tax asset		
Timing difference on share-based payments	**7**	7
Timing difference on general provisions	**4**	5
Capital allowances	**(1)**	(1)
Derivatives	**16**	4
	26	15
Presented on the balance sheet		
Deferred tax asset (note 18)	**26**	15
Included in pension asset (note 25)	**(80)**	(111)
	(54)	(96)

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.

Deferred tax in the income statement	2016 $m	2015 $m
Accelerated capital allowances	**-**	1
Pensions	**18**	55
Share-based payments	**-**	(1)
Changes in tax laws and rates	**(11)**	(12)
Foreign exchange on non-USD assets	**(21)**	(4)
Total deferred tax (note 13(a))	**(14)**	39

14. Dividends paid and proposed	2016 $m	2015 $m
Equity dividends on ordinary shares:		
Interim dividend paid 30 December 2016 (2015: 28 May 2015)	**100**	150
	100	150

15. Intangible assets	Acquired customer relationships $m	Software and development costs $m	Goodwill $m	Total intangible assets $m
Cost or valuation				
1 January 2016	20	17	197	234
Additions	-	9	-	9
Disposals	-	(2)	(11)	(13)
31 December 2016	**20**	**24**	**186**	**230**
Amortisation				
1 January 2016	2	-	-	2
Amortisation charge	3	2	-	5
31 December 2016	**5**	**2**	**-**	**7**
Carrying amount 31 December 2016	**15**	**22**	**186**	**223**
Carrying amount 31 December 2015	18	17	197	232

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 2016, the carrying amount was $22 million (2015: $17 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 8, the Company disposed of the solicitor professional indemnity book to Miller Insurance Services LLP ('Miller'), on 2 February 2016, which resulted in a disposal of goodwill of $11 million.

As described in note 8, 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.

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 2016 there is approximately 8 years of the amortisation period remaining.

16. Tangible fixed assets	Freehold land and buildings $m
Cost or valuation	
1 January 2016	39
Additions	3
31 December 2016	42
Depreciation	
1 January 2016	9
Charge for the year	2
31 December 2016	11
Carrying amount 31 December 2016	**31**
Carrying amount 31 December 2015	30

17. Investments held as fixed assets	Unquoted available-for-sale equity investments $m	Subsidiary undertakings $m	Total $m
Cost or fair value			
1 January 2016	1	33	34
Disposals (see below)	-	-	-
Impairment (see below)	-	(28)	(28)
31 December 2016	1	5	6

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.

During the year, the Company disposed of an element of its holding in Erimus Holdings Teeside Limited.

On 31 March 2016, the Company wrote down $28 million from its cost of investment in PPH Limited, reflecting the reduction in value following receipt of a $26 million dividend (note 11). The recoverable amount of this investment is its undiscounted value in use of $5m

The Company's subsidiaries and associated undertakings at 31 December 2016 are as follows:

Subsidiary undertakings:

	Percentage of share capital held	Class of share	Country of incorporation
Holding Company			
Glencairn UK Holdings Limited *	100%	Ordinary of £1 each	United Kingdom[1]
PPH Limited *	100%	Ordinary of £1 each	Bermuda[2]
The CORRE Partnership Holdings Limited	100%	Ordinary of £1 each	United Kingdom[1]
Insurance Broking			
Faber Global Limited	100%	Ordinary of £1 each	United Kingdom[1]
Prime Professions Limited	100%	Ordinary of £1 each	United Kingdom[1]
The CORRE Partnership LLP (dissolved 7 March 2017)	85%	N/A	United Kingdom[1]

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

[1] Registered office: 51 Lime Street, London, England, EC3M 7DQ

[2] Registered office: Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda

18. Debtors	2016 $m	2015 $m
Amounts falling due within one year:		
Trade debtors	**259**	251
Amounts owed by Group undertakings	**312**	313
Other debtors	**4**	1
Prepayments and accrued income	**44**	39
Retention awards	**4**	5
VAT	**2**	1
Derivative financial instruments	**14**	23
Deferred tax asset (note 13)	**17**	9
	656	642
Amounts falling due after more than one year:		
Trade debtors	**22**	18
Retention awards	**2**	4
Deferred tax asset (note 13)	**9**	6
	33	28
	689	670

19. Fiduciary assets, deposits and cash	2016 $m	2015 $m
Amounts falling due within one year:		
Fiduciary trade debtors	**2,964**	2,898
Fiduciary amounts owed by Group undertakings	**678**	758
Fiduciary amounts owed by associated undertakings	**65**	12
	3,707	3,668
Deposits and cash: held in fiduciary capacity	**1,076**	1,020
	4,783	4,688
Amounts falling due after more than one year:		
Fiduciary trade debtors	**109**	146
Fiduciary amounts owed by Group undertakings	**35**	26
Fiduciary amounts owed by associated undertakings	**-**	1
	144	173

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

20. Creditors: amounts falling due within one year	2016 $m	2015 $m
Trade creditors	**33**	45
Amounts owed to Group undertakings	**8**	12
Amounts owed to Group undertakings in respect of corporation taxation group relief	**16**	14
Other creditors	**37**	38
Derivative financial instruments	**98**	45
Accruals and deferred income	**117**	152
	309	306

21. Fiduciary liabilities	2016 $m	2015 $m
Amounts falling due within one year:		
Fiduciary trade creditors	**4,438**	4,328
Fiduciary amounts owed to Group undertakings	**283**	310
Fiduciary amounts owed to associated undertakings	**59**	26
	4,780	4,664
Amounts falling due after more than one year:		
Fiduciary trade creditors	**139**	188
Fiduciary amounts owed to Group undertakings	**8**	9
	147	197

22. Creditors: amounts falling due after more than one year	2016 $m	2015 $m
Accruals and deferred income	**3**	6
	3	6

23. Provisions for liabilities	Severance $m	Post placement services $m	Claims and lawsuits $m	Total $m
1 January 2016				
Current	5	9	3	**17**
Non-current	-	-	20	**20**
	5	9	23	**37**
Additional provisions made	-	-	3	**3**
Provision release	(1)	-	-	**(1)**
Charged to profit and loss account	-	(2)	-	**(2)**
Utilised in the year	(4)	-	-	**(4)**
31 December 2016	-	7	26	**33**
Analysed as:				
Current	-	7	2	**9**
Non-current	-	-	24	**24**
	-	7	26	**33**

Severance provision:

The provision comprised estimates for the cost of severance payments for employees whose roles have been affected by the operational improvement program.

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.

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.

24. Called up share capital	2016 $m	2015 $m
Allotted, called up and fully paid		
105,000,000 (2015: 105,000,000) ordinary shares of £1 each	**153**	153

25. 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. 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 2016 by a qualified independent actuary. The major assumptions used for the actuarial valuation were:

	2016	2015	2014
	%	%	%
Rate of increase in pensionable salaries	**3.3**	3.3	2.9
Rate of increase in pensions in payment (LPI 5%)	**3.1**	3.1	3.1
Rate of increase in pensions in payment (LPI 2.5%)(i)	**1.8**	1.8	1.8
Discount rate	**2.5**	3.8	3.6
Inflation assumption (RPI)	**3.3**	3.3	3.2
Inflation assumption (CPI)	**2.2**	2.2	2.1
Mortality (ii)	**80%/98% S1NXA for males/females, CMI 1% long-term improvement**	80%/98% S1NXA for males/females, CMI 1% long-term improvement	80%/98% S1NXA for males/females, CMI 1% long-term improvement

(i) Based on CPI inflation.

(ii) S1NXA 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 2016 would have a life expectancy of 24 years.

Analysis of the amount charged to operating profit:	**2016**	2015
	$m	$m
Current service cost	**22**	31
Administrative expense	**2**	2
Past service credit	**-**	(215)
Curtailment gain	**-**	13
Total operating charge/(profit)	**24**	(169)

Analysis of the amount credited to interest receivable and similar income:	**2016**	2015
	$m	$m
Interest income on pension scheme assets	**(114)**	(123)
Interest cost on pension scheme liabilities	**81**	102
Net interest on the net defined benefit pension scheme asset	**(33)**	(21)

Analysis of the amount recognised in the Other Comprehensive Income:	**2016**	2015
	$m	$m
Return on pension scheme assets (excluding interest income)	**407**	(45)
Actuarial experience gains and losses arising on the scheme liabilities	**10**	(12)
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	**(549)**	99
	(132)	29

25. Pensions (continued)

Defined Benefit Scheme (continued)

Analysis of amounts included in the balance sheet:	**2016**	2015
	$m	$m
Fair value of scheme assets	**3,245**	3,290
Present value of scheme liabilities	**(2,776)**	(2,677)
Surplus	**469**	613
Related deferred tax liability (note 13(e))	**(80)**	(111)
Net pension asset	**389**	502

Movements in fair value of scheme assets during the year:	**2016**	2015
	$m	$m
At 1 January	**3,290**	3,398
Interest income on assets	**114**	123
Contributions from the Company	**82**	101
Contributions from the scheme members	**1**	1
Benefits paid	**(112)**	(98)
Administration expenses	**(2)**	(2)
Return on assets excluding amounts included in net interest	**407**	(45)
Exchange adjustments	**(535)**	(188)
At 31 December	**3,245**	3,290

Movements in present value of scheme liabilities during the year:	**2016**	2015
	$m	$m
At 1 January	**2,677**	3,085
Current service cost	**22**	31
Interest cost	**81**	102
Contributions from the scheme members	**1**	1
Past service credit	**-**	(215)
Benefits paid	**(112)**	(98)
Settlement and curtailment	**-**	13
Actuarial gain/(loss)	**539**	(75)
Exchange adjustments	**(432)**	(167)
At 31 December	**2,776**	2,677

Analysis of scheme assets and expected return:	**Fair value of assets**	
	2016	2015
	$m	$m
Equity instruments	**1,080**	1,193
Debt instruments	**1,490**	1,167
Other	**675**	930
	3,245	3,290

The actual return on scheme assets for the year ended 31 December 2016 was a gain of $521 million (2015: gain of $78 million).

25. 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 2016, 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 2016			
	Level 1	Level 2	Level 3	Total
	$m	$m	$m	$m
Equity securities:				
US equities	249	425	-	674
UK equities	103	8	-	111
Other equities	-	295	-	295
Fixed income securities:				
UK Government bonds	1,181	-	-	1,181
Other Government bonds	4	-	92	96
UK corporate bonds	-	105	-	105
Other corporate bonds	95	13	-	108
Derivatives	-	29	-	29
Real estate	-	-	197	197
Cash and cash equivalent	37	-	-	37
Other investments:				
Hedge funds	-	-	426	426
Other	-	(14)	-	(14)
Total	1,669	861	715	3,245

The contributions paid by the Company for 2016 (excluding salary sacrifice contributions) amounted to £55 million ($75 million), comprising £13 million ($18 million) regular contributions and £42 million ($57 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 2017 will total approximately £15 million ($19 million).

Annual deficit funding contributions will remain at £15 million ($19 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 ($12 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 was to reduce plan liabilities by approximately £144 million ($215 million) and generate a corresponding curtailment gain which was recognised in the income statement in 2015.

25. Pensions (continued)

Defined Benefit Scheme (continued)

With all other assumptions held constant, as at 31 December 2016:

1. a 0.25% increase in the discount rate would decrease plan liabilities by approximately £107 million ($132 million);
2. a 0.25% increase in the inflation assumption would increase plan liabilities by approximately £39 million ($49 million); and
3. a 1 year increase in the mortality assumption would increase plan liabilities by approximately £45 million ($56 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 £13 million ($17 million) (2015: £11 million ($16 million)).

26. Forward sale of currency

The Company earns revenue in a number of different currencies, principally US dollars, pounds 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. Derivative fair values are estimated using observable market-based inputs or unobservable inputs that are corroborated by market data. 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 2016 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 $14 million and for the liabilities $98 million (2015: $23 million and $45 million respectively).

These forward contracts are summarised below:

Contracts maturing:	Purchase GBP Million/Rate to USD	Sale EUR Million/Rate to USD	Sale JPY Million/Rate to USD
1 January 2017 to 31 December 2017	199.7m/1.540	61.0m/1.208	2,295.0m/111.246
1 January 2018 to 31 December 2018	127.6m/1.517	41.5m/1.154	1,440.0m/111.008
1 January 2019 to 31 December 2019	41.0m/1.403	12.0m/1.172	500.0m/98.353

27. Contingent liabilities

Claims, lawsuits and other proceedings

Stanford Financial Group

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.

On or about 31 August 2016, the parties to the settlement signed a formal Settlement Agreement memorialising the terms of the settlement as originally set forth in the Settlement in principle Term Sheet. On 7 September 2016, the plaintiffs in the Action filed with the Court a motion to approve the settlement. On 19 October 2016, the Court preliminarily approved the settlement. Several of the plaintiffs in related actions have objected to the settlement. A hearing to consider final approval of the settlement was held on 20 January 2017 and the Court reserved its decision. The Actions are stayed pending final approval of the settlement. The timing of any final decision is subject to the discretion of the Court and any appeal, and the Court may decide not to approve the settlement.

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.

U.K. Regulatory Investigation

On 4 April 2017, the FCA informed the Company that it has opened a formal investigation into possible agreements/concerted practices in the aviation broking sector, which represents less than 6% of the Company's revenues. The Company is cooperating with the FCA. Given the status of the investigation, the Company is currently unable to assess the terms on which this investigation will be resolved, and thus is unable to provide a reasonable estimate of any potential loss or range of loss.

28. Directors' interests in contracts

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

29. 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 19 and 21. These amounts all relate to trading.

	2016	2015
	$m	$m
Al-Futtaim Willis Co LLC	**1**	(1)
Gras Savoye SA[i]	**-**	3
Willis Saudi Arabia Company LLC	**5**	4
	6	6

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.

30. Share-based payments

Share-based Plans

On 31 December 2016, Willis Towers Watson 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, time-based and performance-based 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. All of the Company's share-based compensation plans under which any options or restricted stock units are outstanding as of 31 December 2016 are described below.

The Company recognised total operating expense in 2016 of $37 million (2015: $28 million) related to equity-settled share-based payment transactions.

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, non-employee directors and consultants ('Eligible Individuals') of the Group. The Board of Directors of Willis Towers Watson plc also adopted a sub-plan under the 2012 plan to provide an employee sharesave scheme in the United Kingdom.

There were approximately 9 million shares available for grant under this plan as of 31 December 2016. 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 of Willis Towers Watson plc, 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.

30. Share-based payments (continued)

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 stock. The Group uses the simplified method set out in the Financial Accounting Standards Board's ('FASB') Accounting Standard Codification ('ASC') 718-*Compensation - Stock Compensation* 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 2016 was $122.61.

The fair value of each time-based restricted stock unit is based on the grant date fair value. The fair value of each performance-based restricted stock unit is estimated on the grant date using a Monte-Carlo simulation that uses the following assumptions: Expected volatility is based on the historical volatility of the Group's shares. The risk-free rate is based on the US Treasury yield curve in effect at the time of the grant.

Details of the range of exercise prices and the weighted average contractual life of share options outstanding at 31 December 2016 are as follows:

	Options outstanding (thousands)	Weighted average remaining contractual life
Range of exercise prices [1]		
$61.04 - $69.32	51	0.8 years
$70.64 - $78.56	105	1.9 years
$81.54 - $94.54	194	3.5 years
$103.05 - $109.96	114	2.7 years
$113.08 - $117.40	242	5.4 years
	706	3.6 years

[1] Certain options are exercisable in pounds sterling and are converted to dollars using the exchange rate at 31 December 2016.

Appendix I

MODERN SLAVERY ACT STATEMENT

Modern Slavery Act 2015

The Modern Slavery Act 2015 (the 'Act') came into force in March 2015 and has helped clearly define and codify offences relating to modern slavery and human trafficking.

This statement provides information about our business and how we have taken steps to investigate and mitigate the risk of modern slavery and human trafficking within our supply chain.

Our approach

Willis Limited is based in the UK as part of the Willis Towers Watson group of companies. Willis Limited provides risk management, insurance and reinsurance broking services to clients in the UK and worldwide, and is regulated by the Financial Conduct Authority. Willis Limited coordinates with Willis Towers Watson group companies to combat modern slavery and human trafficking.

Whilst we believe that the nature of our business as a provider of professional services to corporate clients means that we are not directly exposed to a high risk of modern slavery and human trafficking, we are nonetheless keenly aware that the possibility does exist within our global supply chains.

As part of the Willis Towers Watson group we are committed to maintaining and improving our practices to combat the human rights violations of slavery and human trafficking. We have therefore taken steps to identify and manage those areas in our supply chain where slavery and human trafficking are a possibility. Our goal is to minimise the risk wherever possible, and continually monitor and improve in our efforts.

We have taken a coordinated approach to tackling the risk of modern slavery in our business structure and have set up a cross-function working group to coordinate a group-wide approach to the matter.

Policies on modern slavery

We have a global Code of Conduct, also known as the Code of Business Conduct and Ethics. Our Code applies to all our staff. We are intending to launch training for staff on the Code and its key messages as part of an annual exercise. We review the Code regularly and are considering the extent to which we need to supplement its messages to include more details on modern slavery and human trafficking.

We are also in the process of amending our principles and approach to procurement and supplier on-boarding. Our proposed processes will focus on assessing and analysing the risk of modern slavery in relation to the supplier and any potential subcontractors. This approach, when it is finalised, is intended to apply to new supply contracts and renewals of existing contracts.

Training

To ensure a high level of understanding of the risks of modern slavery and human trafficking in our business and our supply chains, we have introduced training for key departments so that relevant employees are aware of the nature of the risks and what warning signs they should look for. During 2016 we brought in a leading London law firm to provide this training to key personnel in our Procurement, Compliance and Legal teams. The training focused on the offences under the Act, the reporting obligations for certain entities, general guidance on combating the risk of modern slavery and human trafficking, and some practical case studies.

We intend to review the need for additional or supplementary training during 2017.

MODERN SLAVERY ACT STATEMENT (continued)

Due diligence, on-boarding and monitoring in relation to our supply chain

The Group has certain intra-group shared service suppliers located in countries considered to be of higher risk in the context of modern slavery and human trafficking. In addition to this, we have a multitude of smaller external suppliers located across the globe.

We have commenced investigations into our supply chain to ensure a standardised approach to assessing the risk of modern slavery and human trafficking. Although we are satisfied there is minimal risk, to ensure a coordinated approach going forward we are formulating standardised modern slavery and human trafficking requirements for our suppliers. To encourage compliance in our supply chain with our values, we expect all future external supply contracts to include appropriate provisions dealing with the risk of modern slavery.

To accompany these investigations, we are also reviewing our tender processes, and have formulated modern slavery enquiries to include within tender packs sent to prospective suppliers. These enquiries, alongside our existing due diligence processes, will help us to appropriately assess the modern slavery and human trafficking risk in relation to a potential supplier as part of our general consideration of their tender.

Future developments

We intend to review and develop our anti-Modern Slavery policies, training and supplier approach as our business evolves.

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes our slavery and human trafficking statement for the financial year ending 2016, and has been sent to the Board for approval, as reflected by the Director's signature below.

Nicolas Aubert

WILLIS LIMITED