

WILLIS LIMITED

Registered Number 0181116

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Directors

Executive Directors

AJC Rivers

JED Vickers

N Perry

SP Hearn

DJ Martin

SW Gaffney (appointed 13 May 2014)

C Powell (appointed 28 October 2014)

Non-executive Directors

A Dickinson

D Paige

RP Baker-Bates (Chairman)

Sir Jeremy Hanley

SJ Turvill (appointed 15 April 2014)

Secretary

AC Peel

Registered Office

51 Lime Street

London, EC3M 7DQ

Auditor

Deloitte LLP

London

SATURDAY



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COMPANIES HOUSE

WILLIS LIMITED
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WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

Company activities and review of developments

The Company's business model

The Company is a subsidiary of Willis Group Holdings plc ("the Group"). The Group is one of the world's leading professional service providers of risk management solutions and risk transfer expertise through insurance and reinsurance broking, and related specialised consultancy services. The Company is regulated by the Financial Conduct Authority ("FCA").

The Company provides risk management, insurance and reinsurance broking services to clients in the UK and worldwide.

Effective from 1 January 2015 the Group has changed the way it manages and reports operating results, resulting in a change in the Group's reporting units from three reporting units, formerly known as Willis Global; Willis North America; and Willis International, into four reporting units: Willis Capital, Wholesale and Reinsurance; Willis North America; Willis International; and Willis Great Britain ("Willis GB").

The changes to the Group's reporting units are as follows:

- Willis International and Willis North America will remain largely unchanged except for certain specialty teams formerly included in Global which will be included in the geographic regions in which they are located;
- Willis Capital, Wholesale and Reinsurance will include Willis Re, Willis Capital Markets & Advisory and the Group's wholesale business. In addition, it will also include a new unit called Willis Portfolio and Underwriting Services which includes all of the Group's activities that provide these services; and
- Willis GB includes the Group's UK retail business, facultative business and London Specialty business.

The Company's operations incorporate the majority of Willis GB, the UK based operations (incorporating some non-UK branch offices) of Willis Re and a large proportion of the Group's UK based wholesale operations.

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

The activities of the Company have not altered as a result of the Group reorganisation.

Capital, Wholesale and Reinsurance contains the Company's reinsurance and wholesale activities.

- *Willis Re*

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

- *Wholesale*

The unit includes the Group's Fine Art Jewelry and Specie, Special Contingency Risks and cedant facultative businesses. The Fine Art, Jewelry and Specie business provides specialist risk management, insurance and reinsurance services to fine art, diamond and jewelry businesses and armoured car operators. Special Contingency Risks provides personal accident insurance services, operating alongside the Group's specialist people risk solutions insurance intermediary Special Contingency Risks Limited, a subsidiary of the Company.

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

- *Transport*

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

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

Company activities and review of developments (continued)

The Company's business model (continued)

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

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

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

- *Property and Casualty*

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

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

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

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

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

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

- *Financial Lines*

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

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

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

- *Retail Network*

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

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

Company activities and review of developments (continued)

Strategy

The Company's strategy is closely aligned with that of the Group.

The Group operates in attractive growth markets with a diversified platform across geographies, industries, segments and lines of business. The Group aims to become the risk advisor, insurance and reinsurance broker of choice globally.

To achieve this, the Group is focusing on:

- Growing our existing business organically. We help clients of all sizes and in every segment when we form teams of the right people from across our business that can provide every risk and human capital and benefits service the client needs. We call this team-based way of working 'Connecting Willis'.

In the Connecting Willis model, client advocates ensure that our teams deliver a seamless service of tailored capabilities to every client including:

- Regional and local market expertise;
 - Industry and product specialist capabilities;
 - Global placement knowledge and data; and
 - Cutting-edge analytics to address evolving risks.
- Strategic mergers and acquisitions that add geographic reach, industry expertise, new product offerings and analytic capabilities. Every company in our portfolio is home to people who want to work at Willis.
 - Operational improvement that underpins our growth. We are modernising the way we run our business in order to serve our clients better, enable the skills of our staff, and to lower our costs of doing business. Our operational improvement programme is making changes to our processes, our IT, our real estate and the location of our workforce. The programme is making us more effective and efficient, bringing us into line with other modern professional services firms.
 - Finally, we care as much about how we work as we do about the impact that we make. This means commitment to our values and behaviours, a framework that guides how we run our business and serve clients. Our values - integrity, advocacy, teamwork, respect, and development - help us to attract and retain the best and most diverse talent in our industry and beyond.

Through these strategies the Group aims to grow revenue with positive operating leverage, grow cash flows and generate compelling returns for investors. The Company will play an integral part in this Group strategy.

Key financial highlights and key performance indicators

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

	2014	2013	Movement	% Change
	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	
Turnover	1,009	993	16	2%
Operating expenses - excluding foreign exchange	(856)	(780)	(76)	10%
Profit on ordinary activities before taxation	262	258	4	2%
Shareholder's funds	1,025	956	69	7%
Current Assets as % of Current Liabilities	110%	110%		
Average number of employees (note 4)	3,653	3,693		

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

Company activities and review of developments (continued)

Key financial highlights and key performance indicators (continued)

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. The performance of the Group, which includes the Company, is discussed in the Group's financial statements which do not form part of this report. The key Group performance indicators are:

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

In 2014, the Company's turnover was \$1,009 million, a 2 percent increase on 2013 (\$993 million). Organic growth excluding the impact of foreign exchange fluctuations was flat on prior year, with the remaining growth driven by foreign exchange fluctuations.

Operating expenses net of foreign exchange of \$856 million were \$76 million higher than in 2013. The 10% increase was mainly driven by higher salaries and benefits costs in 2014 versus 2013. The increase includes the impact following the transfer of businesses and staff from subsidiaries (Prime Professions and Faber Global) as well as salary reviews and investments in key hires. Salary costs are predominantly incurred in sterling, and salary and benefits expenses were adversely affected by the impact of foreign exchange. These cost increases were partly offset by savings from strategic initiatives.

Profit before tax of \$262 million was \$4 million up on prior year with reductions in operating profit of \$67 million, 2014 restructuring charges of \$10 million and decreased net finance income of \$49 million more than offset by a \$7 million gain on disposal of a book of business and the impact of amounts written off fixed assets in the prior year of \$130 million. The reduction in operating profit is driven by increased expenses (as described above). The 2013 sale of the Faber Global book of business impacted net finance income and amounts written off fixed assets. Excluding the Faber transaction, net finance income increased due to higher returns on pension scheme plan assets partly offset by increased interest on pension scheme liabilities.

Shareholder's funds rose by \$69 million to \$1,025 million reflecting the net profit after tax of \$213 million and share based payment of \$25 million, reduced by a dividend payment of \$95 million during 2014 and other recognised losses of \$74 million, principally resulting from net actuarial loss on the pension plan. The Directors review the adequacy of the Company's capital relative to the risks it faces on a regular basis.

The \$20 million revolving credit facility, taken out in 2010 and secured against the Company's real estate assets, has not been drawn upon during 2014 or 2013.

Developments during the year

On 31 October 2014 the Company disposed of the new and renewal business of its retail operations in Belfast to a fellow Group company for \$10 million, with historical transactions and associated accounting entries continuing to be run off in the Company. This branch contributed \$6 million (2013: \$7 million) of turnover during the year. A charge of \$3 million was incurred on the disposal of goodwill in relation to this operation, resulting in a net profit of \$7 million.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

Company activities and review of developments (continued)

Operational improvement programme

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

The main elements of the programme include the following:

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

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

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

It was announced on 13 April 2015 that as part of the ongoing Group operational improvement plan, an anticipated 350 UK based positions would be relocated or eliminated within certain support functions. The Company is the primary employer of UK based associates, and it is anticipated that costs will be incurred during 2015 in relation to this initiative.

Future Developments

On 22 January 2015 the Group and Miller Insurance Services LLP announced that they had reached agreement to create a leading London wholesale specialist broking firm. The agreement will combine their wholesale businesses to trade under the Miller brand, governed and regulated as a standalone legal entity and separate Lloyd's broker.

Under the terms of the transaction, which is subject to regulatory approval, the Group will become a corporate member in Miller Insurance Services LLP by taking a majority (85%) interest in the partnership. Partners of Miller will retain the remaining interest so that it can be transferred to new generations of Miller partners in the future.

The transaction combines those businesses of the Group and Miller that are complementary, and selected broking activities will transfer between the two firms. Wholesale broking activities encompassing a series of units will transfer from the Group to Miller and Miller Treaty Reinsurance, UK Corporate Client and Financial Institutions retail teams will transfer to the Group.

Principal risks and uncertainties

The Company has an Enterprise Risk Management Committee that meets 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's strategic plans, which reflect the changes in the insurance broking and risk management advisory market, require significant change in the Company's organisation and operations. These changes may result in dissatisfaction of our employees resulting in a reduction in client service levels leading to higher rates of client loss and lower levels of new business. It may also result in the resignation of key client service staff and new business producers which may lead to lower levels of revenue than planned, thus potentially impacting profitability, cash generation and our ability to deliver on our change programme to remain competitive. The Company manages this risk through robust change governance processes, mechanisms to retain key employees and through ongoing monitoring of key performance indicators and core controls designed to provide early notice of declining performance.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

Principal risks and uncertainties (continued)

Exposure to the Group

The Company is a wholly-owned subsidiary of the Group. The Group is the third largest insurance broker in the world, is listed on the New York Stock Exchange and had net assets at 31 December 2014 of \$2.1 billion.

The Company is executing the Group's strategy, which will involve change to the organisation and operations of the Company. The Company is also dependent upon its ultimate parent company and the Group for ongoing support in a wide range of areas, including the provision of operational and technology services and delivery of a number of key projects and initiatives. The Company also deposits surplus funds with the Group.

The Group is also dependent upon the Company for its access to the London Insurance Market as well as the Company's development of employees for deployment around the Group. The Directors expect the support from the Group to continue for the foreseeable future.

Economic Environment and Competition

As a result of the low level of growth in major global economies, our competitors are being very aggressive on new business which places significant pressure on our employees to retain clients and revenue. We expect the challenging economic circumstances and resulting competition will remain for the foreseeable future. A further softening of insurance and reinsurance rates given excess capacity in the market also has the potential to place further pressure on revenues. We mitigate the risk through our focus on service, product quality and pricing. The Company continues to monitor both regulatory and market developments, and adapt its model to both threats and new opportunities accordingly. Economic conditions continue to also provide challenges relating to the security of carriers; the Company mitigates the risk of the failure of a major (re)insurer through its Market Security monitoring, policies and procedures, and through using a large number of carriers globally.

Pension Risks

The Company's defined benefit pension scheme was closed to new members in January 2006 but continues to accrue future benefits for existing members. Under UK GAAP, the net asset recorded within the financial statements is \$289 million (net of tax). The liabilities of the pension scheme, and a large proportion of the assets of the scheme, are denominated in Pound Sterling which gives exposure to currency risks. The scheme valuation is subject to assumptions and other factors, including equity and bond market returns, inflation rates, mortality assumptions, potential regulatory and legal changes and counterparty exposure in investments.

The last actuarial valuation of the scheme performed as at 31 December 2010 shows a deficit of £206 million (\$319 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. An actuarial valuation of the scheme was performed as at 31 December 2013. We are awaiting the publication of the valuation report by the Scheme Trustees.

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. This change is expected to reduce the liabilities of the scheme.

Errors and Omissions Exposures

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

Regulatory, Legal and Conduct Risk

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

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

Principal risks and uncertainties (continued)

Regulatory, Legal and Conduct Risk (continued)

The regulator has three operational objectives:

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

Central to the regulator's agenda is 'Conduct Risk', which is the risk that a firm's behaviour will result in poor outcomes for customers and adversely impact 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 metrics and taking appropriate action as necessary.

The Company is also subject to rules and legislation including but not limited to sanctions, money laundering, bribery and corruption and competition. The Company has established procedures to ensure that it is in compliance with these rules and legislation. 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 impacts the Company's operations.

To mitigate these risks, the Company's Legal, Risk and Compliance departments have established processes to ensure compliance with all regulatory requirements which include detailed guidance on the standards to which employees must adhere. Reviews and audits of compliance with this guidance are carried out on a regular basis by both the Compliance and Internal Audit functions. The Company maintains regular contact and engagement with the FCA, monitors changes to the rules and legislation covering its operations and implements changes to its operations accordingly.

Liquidity Risk

Liquidity risk is the risk that the Company may not have sufficient cash available to meet its obligations as they fall due. The Company assesses the potential scenarios in which this might take place and maintains significant cash and liquid funds to mitigate the risk. In the ordinary course of business the Company can also rely on the Group's liquidity. In addition, the Company has access to an external bank 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 Board has established and monitors a policy with clear limits and processes to be followed to manage this risk.

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.

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

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

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

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

Principal risks and uncertainties (continued)

Interest Rate Risk

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

Business & Technology Interruption Risk

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

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

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

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

Data Security Risk

Computer viruses, hackers 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 increased risks, and expanding regulatory requirements regarding data security, could expose us to data loss, monetary and reputational damages and significant increases in compliance costs.

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

From time to time we experience data incidents, resulting from human error as well as attempts at unauthorised access to our systems, which to date have not had a material impact on our business, operations or clients.

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

Political Risk

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

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

Principal risks and uncertainties (continued)

Environment

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

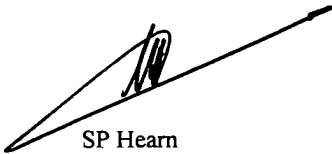
Employees

Details of the number of employees and related costs can be found in note 4 to the financial statements on page 24.

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

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

By Order of the Board



SP Hearn
Director
51 Lime Street
London EC3M 7DQ

28 May 2015

WILLIS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The Directors present their annual report, together with the audited financial statements, for the year ended 31 December 2014.

Strategic report

The Directors have approved the content of the Company's strategic report prepared in accordance with S414C(11) of the Companies Act. The report provides an overview of the Company's activities and an analysis of its performance for the year ended 31 December 2014, 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 18.

Dividends

An interim dividend of \$95 million was paid on 30 September 2014 (2013: \$50 million on 6 November 2013). The Directors do not recommend the payment of a final dividend (2013: \$nil).

Employees

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

Events after the balance sheet date

On 22 January 2015 the Group and Miller Insurance Services LLP announced that they had reached agreement to create a leading London wholesale specialist broking firm. Further details are set out in the Strategic Report.

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.

It was announced on 13 April 2015 that as part of the ongoing Group operational improvement plan, an anticipated 350 UK based positions would be relocated or eliminated within certain support functions. The Company is the primary employer of UK based associates, and it is anticipated that costs will be incurred during 2015 in relation to this initiative.

Directors

The current Directors of the Company are shown on page 1, which forms part of this report. SE Wood, DMA Samengo-Turner, P Owens and M O'Connor resigned as Directors of the Company on 30 January 2014, 7 February 2014, 16 May 2014 and 1 August 2014 respectively. SJ Turvill, SW Gaffney and C Powell were appointed with effect from 15 April 2014, 13 May 2014 and 28 October 2014 respectively. There were no other changes in Directors during the year or after the year end.

WILLIS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

Statement of Directors' responsibilities in relation to the financial statements

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Disclosure of information to the auditor

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

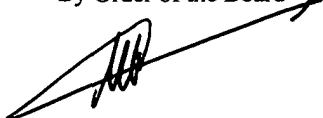
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that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

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

Auditor

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

By Order of the Board



SP Hearn
Director
51 Lime Street
London EC3M 7DQ

28 May 2015

WILLIS LIMITED

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 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Movement in Shareholder's funds and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 2014 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.

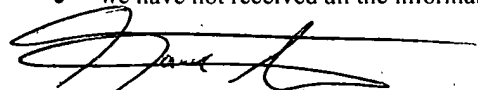
Opinion on other matter prescribed by the Companies Act 2006

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.

Matters on which we are required to report by exception

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

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



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

28 May 2015

WILLIS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 \$m	2013 \$m
Brokerage and fees	2	1,007	990
Interest and investment income		2	3
Turnover		1,009	993
Operating expenses		(856)	(780)
Operating income – foreign exchange gain		7	14
Operating profit	3	160	227
Net finance income	6	105	161
Profit on disposal of book of business	7	7	-
Restructuring costs	8	(10)	-
Amounts written off fixed asset investments	9	-	(130)
Profit on ordinary activities before taxation		262	258
Tax charge on profit on ordinary activities	10	(49)	(42)
Profit on ordinary activities after taxation		213	216

All activities derive from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 \$m	2013 \$m
Profit on ordinary activities after taxation	24	213	216
Actuarial (loss)/gain relating to the pension scheme	25	(77)	36
UK deferred tax attributable to actuarial gain/(loss)		16	(7)
UK deferred tax attributable to rate change on prior years actuarial losses		-	(20)
Net effects of exchange rates on pension movements	24	(11)	6
Net currency translation (loss) on the UK retail business	24	(2)	-
Total recognised gains and losses for the financial year		139	231

WILLIS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2014

	Notes	2014 \$m	2013 \$m
Fixed assets			
Intangible assets – goodwill	12	186	209
Tangible assets	13	38	27
Investments	14	36	36
		<u>260</u>	<u>272</u>
Current assets			
Debtors:			
Amounts falling due within one year	16	606	569
Amounts falling due after one year	16	32	21
		<u>638</u>	<u>590</u>
Fiduciary assets: amounts falling due within one year	17	3,744	3,497
Fiduciary assets: amounts falling due after one year	17	219	-
Deposits and cash: held in fiduciary capacity	17	1,001	910
Deposits and cash		<u>149</u>	<u>162</u>
		<u>5,751</u>	<u>5,159</u>
Current liabilities			
Creditors: amounts falling due within one year	19	(262)	(285)
Fiduciary liabilities: amounts falling due within one year	20	(4,763)	(4,407)
		<u>(5,025)</u>	<u>(4,692)</u>
Net current assets		<u>726</u>	<u>467</u>
Total assets less current liabilities		<u>986</u>	<u>739</u>
Creditors: amounts falling due after more than one year	21	(14)	(6)
Fiduciary liabilities: amounts falling due after more than one year	20	(201)	-
Provisions for liabilities	22	(35)	(41)
Net assets excluding pension asset		<u>736</u>	<u>692</u>
Pension asset (net of deferred tax)	25	289	264
Net assets including pension asset		<u>1,025</u>	<u>956</u>
Capital and reserves			
Called up share capital	23	153	153
Profit and loss account	24	872	803
Shareholder's funds		<u>1,025</u>	<u>956</u>

The financial statements of Willis Limited, registered company number 0181116, were approved by the Board of Directors and authorised for issue on 28 May 2015 and signed on its behalf by:



N Perry
Director

WILLIS LIMITED**MOVEMENTS IN SHAREHOLDER'S FUNDS FOR THE YEAR ENDED 31 DECEMBER 2014**

	2014 \$m	2013 \$m
Movements in shareholder's funds		
Profit on ordinary activities after taxation	213	216
Other recognised losses/gains for the financial year:		
Actual return less expected return on pension scheme assets	317	107
Experience gains and losses arising in the scheme liabilities	39	-
Changes in assumptions underlying the present value of the pension scheme liabilities	(433)	(71)
UK deferred tax attributable to actuarial loss	16	(7)
UK deferred tax attributable to rate change on prior years actuarial losses	-	(20)
Net effect of exchange rates on pension movements	(11)	6
Net currency translation loss on the UK retail business	(2)	-
Total other recognised (loss)/gain for the financial year	(74)	15
Share-based payments	25	16
Dividend paid	(95)	(50)
Net movements in shareholder's funds for the year	69	197
Shareholder's funds at beginning of year	956	759
Shareholder's funds at end of year	1,025	956

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. Accounting policies

Basis of preparation

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

The financial statements have been prepared:

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

The 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 Willis 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.

Parent undertaking and controlling party

The Company's:

- immediate parent company and controlling undertaking is Willis Faber Limited; and
- ultimate parent company is Willis Group Holdings plc, a company incorporated in Ireland.

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

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

Revenue recognition

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

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

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

Revenue is stated net of VAT where applicable.

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

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

1. Accounting policies (continued)

Finance income

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

Final dividend income from subsidiary undertakings is recognised when the subsidiary undertaking has a legally binding obligation to make the distribution. Interim dividend income from subsidiary undertakings is accounted for on a receivable basis.

Foreign currency translation

During 2014 the Company had two principle divisions:

- Group's UK Retail business, and
- Capital, Wholesale and Reinsurance business, Facultative business and London Specialty business.

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

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

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.

Intangible assets - goodwill

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

Goodwill is capitalised and amortised on a straight-line basis over its useful economic life, which is determined on the individual circumstances of each business acquired but limited to a maximum period of 20 years. Goodwill is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss is recognised in the profit or loss account in the period in which it arises.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

1. Accounting policies (continued)

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
Software	Straight-line over 7 years

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

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

Fixed asset investments

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

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

Current asset investments

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

Fiduciary assets and fiduciary liabilities

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

Balances arising from insurance brokerage transactions are reported as separate assets or liabilities.

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.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

1. Accounting policies (continued)

Pension costs

The Company has a defined benefit pension scheme and a defined contribution pension scheme. The defined benefit scheme was closed to new entrants in January 2006. New 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 Company's defined benefit scheme is funded, with the assets of the scheme held separately from those of the Company, in separate trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the Company's balance sheet.

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

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

Defined contribution scheme

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

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

Share-based payments

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

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

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

1. Accounting policies (continued)

Taxation

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

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

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

Derivative financial instruments

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

Errors and omission provisions

Provisions comprise estimates for liabilities (net of anticipated recoveries from insurers) which may arise from actual and potential claims for errors and omissions.

Post placement service provisions

Provisions comprise an estimate of future liabilities that could arise from claims work obliged to be undertaken through the Company's involvement in the placement of policies in this year and from prior years and is distinct from such activity taken on for client investment.

Cash flow statement

Under FRS1 'Cash flow statements' the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the Company is a 90 percent or more owned subsidiary undertaking and the consolidated cash flow statement that is prepared at Group level is publicly available.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

2. Brokerage and fees

The table below analyses the Company's brokerage and fees by the registered company address of the insured 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	2014 \$m	2013 \$m
United Kingdom	396	330
North America	145	126
Rest of the world	466	534
	1,007	990

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 associated clients has been provided as the Directors of the Company are of the opinion that such analysis would not be meaningful.

3. Operating profit	2014 \$m	2013 \$m
Operating profit is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets (note 13)	2	1
Amortisation of goodwill (note 12)	20	19
Current service cost of pension schemes:		
- defined benefit scheme (note 25)	39	37
- defined contribution scheme	15	15
Currency translation adjustments	(7)	(14)

The foreign exchange gain of \$7 million (2013: \$14 million) shown in the profit and loss account is mainly attributable to the fluctuation in the value of pound sterling and the Euro to the US dollar during the year in relation to intercompany assets and liabilities.

Auditor's remuneration of £540,000 (\$842,000) (2013: £540,000 (\$894,000)) was borne by another Group company and recharged to the Company via a management charge.

WILLIS LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**
(continued)

4. Employee costs	2014 \$m	2013 \$m
Salaries and incentives	534	491
Social security costs	63	48
Pension costs:		
- defined benefit scheme (note 25)	39	37
- defined contribution scheme	15	15
Gross employee costs	651	591
Amounts borne by fellow subsidiary undertakings	(88)	(101)
Net employee costs	563	490

Number of employees – average for the period	2014 Number	2013 Number
Producer	636	670
Client services	1,995	1,988
Management/administration services	1,022	1,035
	3,653	3,693

Pension costs for the defined benefit scheme include only those items included within operating expenses. Further details of those items and those recorded in net finance charges and the statement of total recognised gains and losses are presented in note 25 on page 33.

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 decreased from \$101 million in 2013 to \$88 million in 2014.

The Company recognised total expense in 2014 of \$25 million (2013: \$16 million expense) related to equity-settled share-based payment transactions to employees (these are included within salaries above). Further details are presented in note 30 on page 39.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

	2014	2013
5. Directors' remuneration	\$000	\$000
Emoluments, (excluding pension contributions, benefits and long-term incentive awards)	11,128	12,138
Benefits	52	56
Pension contributions	326	417
	<u>11,506</u>	<u>12,611</u>
Highest paid Director:		
Emoluments, (excluding pension contributions, benefits and long-term incentive awards)	2,671	2,378
Benefits	1	-
Pension contributions	90	105
	<u>2,762</u>	<u>2,483</u>
Exercise of share options during the year	82	-
Accrued annual defined benefit pension relating to highest paid Director	-	-
	2014	2013
	Number	Number
Directors exercising share options	7	7
Directors receiving shares under long-term incentive plans	8	7
Directors eligible for defined benefit pension schemes	1	3

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

6. Net finance income	2014 \$m	2013 \$m
<i>Interest and investment income</i>		
Income from shares in subsidiary undertakings	23	123
<i>Other finance income/(charges)</i>		
Expected return on pension scheme assets (note 25)	201	145
Interest on pension scheme liabilities (note 25)	(119)	(107)
	82	38
Net finance income	105	161

7. Profit on disposal of book of business

On 31 October 2014 the Company sold the new and renewal business of its Belfast operation to Willis Risk Services (Ireland) Limited, a fellow Group company for \$10 million. As part of this disposal, the Company incurred \$3 million charge in respect of the disposal of the related intangible asset, resulting in a net profit on disposal of \$7 million. This branch contributed \$6 million (2013: \$7 million) of turnover during the year.

8. Restructuring costs	2014 \$m	2013 \$m
The following exceptional item has been charged below operating profit:		
Restructuring costs	10	-
The tax effect in the profit and loss account relating to the exceptional item recognised below operating profit is:		
Tax credit on restructuring costs	2	-

The restructuring costs of \$10 million related to the operational improvement programme 2014 and consisted of \$9 million of termination costs related to the elimination of positions from the Willis Insurance UK and UK Reinsurance divisions, in addition to approximately \$1 million of professional fees related to a study on process improvement.

9. Amounts written off fixed asset investments	2014 \$m	2013 \$m
Amounts written off fixed asset investments	-	130

In March 2013 the Company wrote down the full cost of \$130 million investment in Glencairn UK Holdings Limited reflecting the reduction in value of its subsidiary Faber Global Limited following the sale of its new and renewable book to Willis Limited on the same date.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

	2014 \$m	2013 \$m
10. Tax on profit on ordinary activities		
<i>(a) Analysis of charge for the year</i>		
Current tax:		
UK corporation tax on profit at 21.50% (2013: 23.25%)	23	45
Adjustments in respect of prior periods	-	4
	<u>23</u>	<u>49</u>
Foreign tax	1	-
Total current tax (note 10(b))	<u>24</u>	<u>49</u>
Deferred tax:		
Origination and reversal of timing differences	28	20
Adjustment in respect of rate change	(2)	(27)
Adjustments in respect of prior periods	(2)	-
Adjustments to the estimated recoverable amount of deferred tax arising in previous periods	1	-
Total deferred tax (note 18)	<u>25</u>	<u>(7)</u>
Tax on profit on ordinary activities	<u>49</u>	<u>42</u>
	2014 \$m	2013 \$m
<i>(b) Factors affecting current tax for the year</i>		
The tax assessed for the year is lower (2013: lower) than the standard rate of corporation tax in the UK (21.50%) (2013: 23.25%). The differences are explained below:		
Profit on ordinary activities before taxation	<u>262</u>	<u>258</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21.50% (2013: 23.25%)	56	60
Effects of:		
Permanent differences – Expenses (primarily goodwill amortisation)	6	6
Permanent differences – Dividends received	(5)	(29)
Permanent differences – Profit on the disposal of book of business (note 7)	(1)	30
Adjustment in respect of employee share benefit scheme	(2)	(2)
Timing difference on general provision	(1)	2
Timing difference on pension contributions	(25)	(25)
Adjustment in respect of prior periods	-	4
Revenue losses	(1)	-
Other adjustment including effects of exchange rates	(3)	3
Total current tax charge for the year (note 10(a))	<u>24</u>	<u>49</u>

(c) Circumstances affecting current and future tax charges

The Finance Act 2013, which was substantively enacted on 2 July 2013, included provisions to reduce the rate of UK corporation tax to 21% with effect from 1 April 2014 and to 20% with effect from 1 April 2015. As the changes were substantively enacted prior to 31 December 2014, they have been reflected in these financial statements.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

11. Dividends paid	2014 \$m	2013 \$m
Interim paid 30 September 2014 (2013: 6 November 2013)	95	50

12. Intangible assets - goodwill	2014 \$m
<i>Cost or valuation</i>	
1 January 2014	357
Disposals	(11)
31 December 2014	346
<i>Amortisation</i>	
1 January 2014	148
Charge for the year	20
Disposals	(8)
31 December 2014	160
<i>Net book value 31 December 2014</i>	186
<i>Net book value 31 December 2013</i>	209

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

13. Tangible fixed assets	Freehold land and buildings \$m	Software \$m	Total tangible fixed assets \$m
<i>Cost or valuation</i>			
1 January 2014	32	1	33
Additions	7	6	13
31 December 2014	39	7	46
<i>Depreciation</i>			
1 January 2014	6	-	6
Provision for the year	2	-	2
31 December 2014	8	-	8
<i>Net book value 31 December 2014</i>	31	7	38
<i>Net book value 31 December 2013</i>	26	1	27

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

14. Investments held as fixed assets	Other Investments \$m	Subsidiary undertakings (note 15) \$m	Associate undertaking \$m	Total \$m
<i>Cost</i>				
1 January 2014	-	35	1	36
Additions (see below)	1	-	-	1
Disposals (see below)	-	-	(1)	(1)
31 December 2014	1	35	-	36

In the opinion of the Directors, the value of the investments held as fixed assets is not less than the amount shown in the balance sheet.

On 30 December 2014 the Company disposed of 6.375% of its 25% shareholding in Erimus Teeside Holdings Limited. From this date the investment ceased to be accounted for as an associate undertaking and is recorded as a fixed asset investment.

15. Shares in subsidiary undertakings

The principal subsidiary undertakings at 31 December 2014 were:

	Percentage of share capital held	Class of share	Country of incorporation
<i>Insurance Broking</i>			
Special Contingency Risks Limited *	100%	Ordinary of £1 each	United Kingdom
Glencairn UK Holdings Limited *	100%	Ordinary of £1 each	United Kingdom
Faber Global Limited	100%	Ordinary of £1 each	United Kingdom
Prime Profession Holdings Limited *	100%	Ordinary of £1 each	Bermuda
Prime Professions Limited	100%	Ordinary of £1 each	United Kingdom

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

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

16. Debtors	2014 \$m	2013 \$m
<i>Amounts falling due within one year:</i>		
Trade debtors	213	210
Amounts owed from Group undertakings	323	269
Other debtors	1	-
Prepayments and accrued income	59	66
Retention awards	7	8
VAT	1	-
Deferred tax asset (note 18)	2	16
	606	569
<i>Amounts falling due after more than one year:</i>		
Trade debtors	17	18
Retention awards	4	3
Deferred tax asset (note 18)	11	-
	32	21
	638	590

17. Fiduciary assets, deposits and cash	2014 \$m	2013 \$m
<i>Amounts falling due within one year:</i>		
Fiduciary trade debtors	2,994	2,742
Amounts owed by Group undertakings	737	736
Amounts owed by associate undertakings	13	19
	3,744	3,497
Deposits and cash: held in fiduciary capacity	1,001	910
	4,745	4,407
<i>Amounts falling due after more than one year:</i>		
Fiduciary trade debtors	133	-
Amounts owed by Group undertakings	84	-
Amounts owed by associate undertakings	2	-
	219	-

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

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

18. Deferred tax	2014 \$m	2013 \$m
Deferred tax has been provided in full in respect of assets/liabilities arising from the following timing differences:		
Included in debtors (note 16)	13	16
Included in pension asset (note 25)	(72)	(66)
	<u>(59)</u>	<u>(50)</u>
Deferred tax consists of:		
Timing difference on pension asset	(72)	(66)
Timing difference on share-based payments	7	6
Timing difference on general provisions	6	7
Capital allowances	(1)	-
Tax losses available	1	3
	<u>(59)</u>	<u>(50)</u>
At 1 January	(50)	(33)
Deferred tax (charge)/credit in profit and loss account (note 10(a))	(25)	7
Deferred tax credit/(charge) in statement of recognised gains and losses	16	(27)
Acquisition of trade losses	-	3
At 31 December	<u>(59)</u>	<u>(50)</u>

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

19. Creditors: amounts falling due within one year	2014 \$m	2013 \$m
Trade creditors	42	37
Amounts owed to Group undertakings	7	7
Amounts owed to Group undertakings in respect of corporation taxation group relief	26	45
Other creditors	29	24
Accruals and deferred income	158	172
	<u>262</u>	<u>285</u>

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

20. Fiduciary liabilities	2014 \$m	2013 \$m
<i>Amounts falling due within one year:</i>		
Fiduciary trade creditors	4,520	4,126
Amounts owed to Group undertakings	228	266
Amounts owed to associate undertakings	15	15
	<u>4,763</u>	<u>4,407</u>

Amounts falling due after more than one year:

Fiduciary trade creditors	181	-
Amounts owed to Group undertakings	17	-
Amounts owed to associate undertakings	3	-
	<u>201</u>	<u>-</u>

21. Creditors: amounts falling due after more than one year	2014 \$m	2013 \$m
Trade creditors	11	3
Deferred consideration on purchase of subsidiary undertakings	3	3
	<u>14</u>	<u>6</u>

22. Provisions for liabilities	Post placement services \$m	Claims and lawsuits \$m	Total \$m
1 January 2014	9	32	41
Additional provisions made	1	6	7
Provision release	-	(8)	(8)
Utilised in the year	-	(5)	(5)
31 December 2014	<u>10</u>	<u>25</u>	<u>35</u>

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 net of anticipated recoveries from the Company's insurers.

Post placement services provision:

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

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

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

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

	2014 \$m	2013 \$m
23. Called up share capital		
Allotted, called up and fully paid		
105,000,000 (2013: 105,000,000) ordinary shares of £1 each	153	153
		Profit and loss account
24. Profit and loss reserve		\$m
1 January 2014		803
Profit on ordinary activities after taxation		213
Dividend payments		(95)
Actuarial gain on the pension scheme (net of tax)		(61)
UK deferred tax attributable to rate change on prior years actuarial losses		-
Net effect of exchange rate movements on pension		(11)
Net currency translation loss on the UK retail business		(2)
Share-based payments		25
31 December 2014		872
		\$m
<i>Net of pension asset</i>		
Profit and loss reserve excluding pension asset		583
Amount relating to defined benefit pension scheme asset, net of related deferred tax (note 25)		289
Profit and loss reserve		872

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 Group Holdings plc. This scheme was closed to new entrants in January 2006. A full actuarial valuation was carried out at 31 December 2013 and updated to 31 December 2014 by a qualified actuary. The major assumptions used for the actuarial valuation were:

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

25. Pensions (continued)

Defined Benefit Scheme (continued)

	2014	2013	2012
	%	%	%
Rate of increase in salaries	2.9	3.2	2.3
Rate of increase in pensions in payment (LPI 5%)	3.1	3.4	3.0
Rate of increase in pensions in payment (LPI 2.5%)(i)	1.8	2.0	1.9
Discount rate	3.6	4.4	4.4
Inflation assumption (RPI)	3.2	3.5	3.0
Inflation assumption (CPI)	2.1	2.4	2.2
	80%/98%	90%/105%	
	SINXA for	PNA00 for	
	males/females,	males/females	PNA00
Mortality (ii)	CMI 1%	CMI 1%	YoB MC
	long-term	long-term	
	improvement	improvement	

(i) Based on CPI inflation.

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

As an indication of longevity assumed, the Company's calculations assume that a UK male retiree aged 65 at 31 December 2014 would have a life expectancy of 24 years.

Analysis of the amount charged to operating profit:

	2014	2013
	\$m	\$m
Current service cost	41	37
Curtailement gain	(2)	-
	<u>39</u>	<u>37</u>

Analysis of the amount credited to net finance charges:

	2014	2013
	\$m	\$m
Expected return on pension scheme assets	201	145
Interest on pension scheme liabilities	(119)	(107)
	<u>82</u>	<u>38</u>

Analysis of the actuarial loss in the statement of total recognised gains and losses:

	2014	2013
	\$m	\$m
Actual return less expected return on pension scheme assets	317	107
Experience gains and losses arising on the scheme liabilities	39	-
Changes in assumptions underlying the present value of the scheme liabilities	(433)	(71)
	<u>(77)</u>	<u>36</u>

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

25. Pensions (continued)

Defined Benefit Scheme (continued)

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 is \$717 million (2013: \$640 million).

Analysis of amounts included in the balance sheet:

	2014 \$m	2013 \$m
Fair value of scheme assets	3,398	3,060
Present value of scheme liabilities	(3,037)	(2,730)
Surplus	361	330
Related deferred tax liability (note 18)	(72)	(66)
Net pension asset	289	264

Movements in fair value of scheme assets during the year:

	2014 \$m	2013 \$m
At 1 January	3,060	2,716
Expected return on pension scheme assets	201	145
Contributions from the Company	91	100
Contributions from the scheme members	2	2
Benefits paid	(85)	(78)
Actuarial gain	317	107
Exchange adjustments	(188)	68
At 31 December	3,398	3,060

Movements in present value of scheme liabilities during the year:

	2014 \$m	2013 \$m
At 1 January	2,730	2,535
Service cost	41	37
Interest cost	119	107
Contributions from the scheme members	2	2
Benefits paid	(85)	(78)
Settlement and curtailment	(2)	-
Actuarial loss	394	71
Exchange adjustments	(162)	56
At 31 December	3,037	2,730

Analysis of scheme assets and expected return:

	<u>Expected return</u>		<u>Fair value of assets</u>	
	2014 %	2013 %	2014 \$m	2013 \$m
Equity instruments	-	7.46	1,652	1,602
Debt instruments	-	3.06	1,196	989
Other	-	4.16	550	469
	-	6.60	3,398	3,060

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

25. Pensions (continued)

Defined Benefit Scheme (continued)

FRS101/102 do not include an expected return on asset items, therefore there is no need for the Company to set an assumption under UK GAAP as at 31 December 2014.

The actual return on scheme assets for the year ended 31 December 2014 was a gain of \$518 million (2013: gain of \$252 million).

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

History of experience of gains and losses:

	2014	2013	2012	2011	2010
	\$m	\$m	\$m	\$m	\$m
Fair value of scheme assets	3,398	3,060	2,716	2,354	2,085
Present value of scheme liabilities	(3,037)	(2,730)	(2,535)	(2,180)	(1,871)
Surplus	361	330	181	174	214
Actual return less expected return on plan assets:					
Amount (\$m)	317	107	90	113	103
Percentage of scheme assets	9%	4%	3%	5%	5%
Experience gains and losses on scheme liabilities:					
Amount (\$m)	39	-	-	(43)	-
Percentage of the present value of the scheme liabilities	1%	0%	0%	(2)%	1%

The contribution paid by the Company for 2014 (excluding salary sacrifice contributions and contingent contributions in respect of 2012 described below) was £49 million (\$80 million), comprising £13 million (\$21 million) regular contributions and £36 million (\$59 million) towards funding the deficit.

In accordance with the funding strategy implemented for 2012, the Company has agreed with the Trustee of the UK Pension Scheme that contributions towards ongoing accrual of benefits would be equivalent to 15.9% of members' pensionable salaries (£13 million (\$21 million) for 2014) and contributions towards funding the deficit would be £36 million (\$59 million) per annum.

In addition, under the funding strategy, for the six years ending 31 December 2017, the Company will make contingent contributions:

- based on a 20% share of the Group's EBITDA exceeding a threshold of \$900 million; and
- based on 10% of any exceptional returns made by the Group to stockholders, including share buybacks.

Total deficit-funding contributions for the six years to 31 December 2017 excluding those relating to share buybacks, shall not exceed a total of £312 million (\$514 million).

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

25. Pensions (continued)

Defined Benefit Scheme (continued)

The Company is currently negotiating a new funding arrangement, which the Company is required to do every 3 years, which may further change the contributions the Company is required to make in the future.

Events after the balance sheet date

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. This change is expected to reduce the liabilities of the scheme.

Defined Contribution Scheme

The Company has operated a defined contribution scheme for new entrants since 1 January 2006. The Company recognised an expense in 2014 of \$15 million (2013: \$15 million) representing contributions payable to the scheme.

26. Forward sale of currency

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

The Company hedges the risk as follows:

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

The Company participates in the Group's risk management activities in relation to foreign exchange risk. Forward contracts for the purchase/sale of foreign currencies are entered into by another subsidiary undertaking. The Company then enters into back-to-back contracts with that subsidiary undertaking. At 31 December 2014 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 \$26 million and for the liabilities \$21 million (2013: \$23 million and \$3 million respectively).

These forward contracts are summarised below:

Contracts maturing:	Purchase	Sale	Sale
	GBP	Euros	JPY
	Mill/Rate to USD	Mill/Rate to USD	Mill/Rate to USD
1 January 2015 to 31 December 2015	218.1m/1.602	72.0m/1.362	2,815m/100.8
1 January 2016 to 31 December 2016	151.6m/1.614	45.5m/1.362	1,729m/101.5
1 January 2017 to 31 December 2017	53.5m/1.577	20.0m/1.315	650m/106.3

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

27. Contingent liabilities

Claims, lawsuits and other proceedings

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

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

As of 1 April 2011 Willis Limited has been joined in its parent company's, Willis Group Holdings plc, ongoing litigation in the Federal Court in Texas with Stanford Financial Group. The Company disputes any allegations and intends to defend itself vigorously against all actions. The outcome of these actions, however, including losses or other payments that may occur as a result, cannot be predicted at this time and no provision has been made.

28. Directors' interests in contracts

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

29. Related party transactions

During the year the Company transacted in the ordinary course of business brokerage with associated undertakings listed below.

	2014	2013
	\$m	\$m
Al Futtaim Willis LLC	1	1
Gras Savoye SA	3	4
Willis India Insurance Brokers Private Limited	-	1
Willis Saudi Arabia Company LLC	4	2
	8	8

Amounts owed by and to Group associated undertakings are disclosed in notes 17 and 20. These amounts all relate to trading.

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

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

30. Share-based payments

Share-based Plans

On 31 December 2014, Willis Group Holdings plc, the ultimate parent company of Willis Limited, had a number of open share-based compensation plans, which provide for the grant of time-based and performance based options, restricted stock units and various other share based grants to employees of Willis Limited. The objectives of these plans include attracting and retaining the best personnel, motivating management personnel by means of growth related incentives to achieve long-range goals and providing employees with the opportunity to increase their share ownership in Willis Group Holdings plc.

The Company recognised total operating expense in 2014 of \$25 million (2013: \$16 million) related to equity-settled share-based payment transactions.

2008 Share Purchase and Option Plan

This plan, which was established on 23 April 2008, provides for the granting of time and performance based options, restricted stock units and various other share based grants at fair market value to employees of the Group. The 2008 plan was terminated as at 25 April 2012 and no further grant will be made under this plan. Any shares available for grant under the 2008 plan were included in the 2012 Equity Incentive Plan availability. Options are exercisable on a variety of dates, including the third, fourth and fifth anniversary of grant.

2012 Equity Incentive Plan

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

There are 13,776,935 shares available for grant under this plan. In addition, shares subject to awards that were granted under the Willis Group Holdings 2008 Share Purchase and Option Plan, that terminate, expire or lapse for any reason will be made available for future Awards under this Plan. Options are exercisable on a variety of dates, including from the second, third, fourth or fifth anniversary of grant. Unless terminated sooner by the Board of Directors, the 2012 Plan will expire 10 years after the date of its adoption. That termination will not affect the validity of any grants outstanding at that date.

Option Valuation Assumptions

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

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

30. Share-based payments (continued)

	2014	2013
Weighted average share price	\$42.19	\$43.48
Weighted average exercise price	\$41.65	\$43.48
Expected volatility	21%	27%
Expected dividends	2.8%	2.6%
Expected life (years)	5	5
Risk-free interest rate	1.67%	1.54%

A summary of option activity under the plans at 31 December 2014 and 2013, and changes during the years then ended is presented below:

	2014		2013	
	Number of options	Weighted Average Exercise Price ⁽¹⁾	Number of options	Weighted Average Exercise Price ⁽¹⁾
(Options in thousands)				
Time-based options				
Outstanding at 1 January	3,916	\$36.28	5,002	\$34.18
Granted	773	\$41.65	828	\$43.63
Exercised	(1,334)	\$34.85	(1,799)	\$33.54
Forfeited	(110)	\$36.72	(103)	\$37.12
Expired	(87)	\$37.14	(12)	\$27.69
Outstanding at 31 December	3,158	\$38.16	3,916	\$36.41
Exercisable at 31 December	1,215	\$36.19	1,759	\$36.04
Performance-based options				
Outstanding at 1 January	2,139	\$31.80	2,693	\$31.39
Granted	-	\$nil	-	\$nil
Exercised	(759)	\$29.66	(483)	\$29.84
Forfeited	(172)	\$35.02	(71)	\$29.68
Outstanding at 31 December	1,208	\$32.69	2,139	\$31.8
Exercisable at 31 December	882	\$30.97	1,038	\$29.49

⁽¹⁾Certain options are exercisable in Pounds Sterling and are converted to dollars using the exchange rate at 31 December 2014 or 2013, respectively.

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2014 was \$43.16.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

30. Share-based payments (continued)

Details of the range of exercise prices and the weighted average contractual life of share options outstanding at 31 December 2014 are as follows:

	Options outstanding (thousands)	Weighted average remaining contractual life
Range of exercise prices ⁽¹⁾		
\$22.67 - \$26.90	500	2.5 years
\$27.22 - \$28.90	392	2.9 years
\$30.42 - \$34.90	1,039	5.1 years
\$35.05 - \$39.96	562	4.1 years
\$40.04 - \$43.67	938	4.8 years
\$44.13 - \$44.32	935	7.3 years
	4,366	4.9 years

⁽¹⁾ Certain options are exercisable in Pounds Sterling and are converted to dollars using the exchange rate at 31 December 2014 or 2013, respectively.

A summary of restricted stock unit activity under the plans at 31 December 2014, and changes during the year then ended is presented below:

	Shares (thousands)	Weighted average grant date fair value
Non-vested shares (restricted stock units)		
Outstanding at 1 January 2014	1,211	\$38.75
Granted	887	\$42.83
Vested	(308)	\$37.33
Lapsed	(106)	\$37.32
Outstanding at 31 December 2014	1,684	\$41.25

31. Events after the balance sheet date

On January 22 2015 Willis Group Holdings plc (the ultimate parent company) and Miller Insurance Services LLP announced that they had reached agreement to create a leading London wholesale specialist broking firm. The agreement will combine their wholesale businesses to trade under the Miller brand, governed and regulated as a standalone legal entity and separate Lloyd's broker.

Under the terms of the transaction, which is subject to regulatory approval, Willis will become a corporate member in Miller Insurance Services LLP by taking a majority (85%) interest in the partnership. Partners of Miller will retain the remaining interest so that it can be transferred to new generations of Miller partners in the future.

The transaction combines those businesses of Willis and Miller that are complementary, and selected broking activities will transfer between the two firms. Wholesale broking activities encompassing a series of units will transfer from Willis to Miller and Miller treaty reinsurance, UK Corporate client and Financial Institutions retail teams will transfer to Willis.

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. This change is expected to reduce the liabilities of the scheme.

It was announced on 13 April 2015 that as part of the ongoing Group operational improvement plan, an anticipated 350 UK based positions would be relocated or eliminated within certain support functions. The Company is the primary employer of UK based associates, and it is anticipated that costs will be incurred during 2015 in relation to this initiative.