

WILLIS LIMITED

Registered Number 00181116

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Directors

Executive Directors

James ED Vickers

Claire Powell

Nicolas Aubert

Catherine Roy

Alastair JP Swift

Eloise M Martin

Mary T O'Connor (appointed 8 March 2017)

Peter J Carter (appointed 14 March 2017)

James E Kent (appointed 11 January 2018)

Non-executive Directors

Rodney P Baker-Bates (Chairman)

Sarah J Turvill

Rosemary Hilary

James H Willens

Peter A Shaw

Dr Brendan R O'Neill (appointed 7 June 2017)

Company Secretary

Marcus P Dowding

Registered Office

51 Lime Street

London, EC3M 7DQ

Auditor

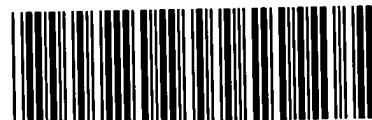
Deloitte LLP

Statutory Auditor

London

United Kingdom

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WILLIS LIMITED
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WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Company activities and review of developments

The Company's business model

Willis Limited (the 'Company') is a subsidiary of Willis Towers Watson plc. Willis Towers Watson plc, together with its subsidiaries ('WTW'), is a leading global advisory, broking and solutions provider that helps clients around the world turn risk into a path for growth.

As an insurance broker, we act as an intermediary between our clients and insurance carriers by advising our clients on their risk management requirements, helping them to determine the best means of managing risk and negotiating and placing insurance with insurance carriers through our global distribution network.

We offer our clients a broad range of services to help them to identify and control their risks, and to enhance business performance by improving their ability to attract, retain and engage a talented workforce. Our risk control services range from strategic risk consulting (including providing actuarial analysis), to a variety of due diligence services, to the provision of practical on-site risk control services (such as health and safety or property loss control consulting), as well as analytical and advisory services (such as hazard modelling and reinsurance optimization studies). We assist clients in planning how to manage incidents or crises when they occur. These services include contingency planning, security audits and product tampering plans. We help our clients enhance their business performance by delivering consulting services, technology and solutions that help them anticipate, identify and capitalise on emerging opportunities in human capital management, as well as offer investment advice to help them develop disciplined and efficient strategies to meet their investment goals.

We are not an insurance company and therefore we do not underwrite insurable risks for our own account.

Our colleagues serve a diverse base of clients ranging in size from large, major multinational corporations to middle-market companies in a variety of industries, public institutions and individual clients. Many of our client relationships span decades. We work with established corporations, emerging growth companies, governmental agencies and not-for-profit institutions in a wide variety of industries. We believe we are one of only a few global advisory, broking and solutions companies in the world possessing the global operating presence, broad product expertise and extensive distribution network necessary to effectively meet the global needs of many of our clients.

The Company is regulated by the Financial Conduct Authority ('FCA') and is domiciled and incorporated in the UK. As at 31 December 2017, the Company had branches in the following European Economic Area member states other than the UK: Belgium; France; The Netherlands; and Spain.

There have been no significant changes in the Company's principal activities in 2017. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

During 2017, the activities of the business segments for WTW and the Company were as follows:

Human Capital and Benefits

The WTW Human Capital & Benefits ('HCB') segment provides an array of advice, broking, solutions and software for employee benefit plans, the human resources organisation and the management teams of our clients. Within this segment, the Company provides insurance broking services.

Corporate Risk and Broking

Our Corporate Risk & Broking ('CRB') segment provides a broad range of risk advice, insurance brokerage and consulting services to clients worldwide ranging from small businesses to multinational corporations. The segment delivers integrated global solutions tailored to client needs and underpinned by data and analytics. A key objective is to assist clients in reducing their overall cost of risk. Within the Company the CRB business is arranged in the following business lines.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Company activities and review of developments (continued)

The Company's business model (continued)

Corporate Risk and Broking (continued)

Property and Casualty

Property and Casualty provides property and liability insurance brokerage services across a wide range of industries including construction, real estate, healthcare and natural resources. Our construction practice provides risk management advice and brokerage services for a wide range of international construction activities. Clients of the construction practice include contractors, project owners, project managers, consultants and financiers. Our natural resources practice encompasses the oil and gas, mining, power and utilities sectors; and provides services including property damage, offshore construction liability and other services to global clients. In addition, we also arrange insurance products and services for our affinity client partners to offer to their customers, employees or members alongside, or in addition to, their principal business offerings.

Financial Lines

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

Transport

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

Facultative

Facultative capabilities exist within each of the above offerings to serve as a broker or intermediary for insurance companies looking to arrange reinsurance solutions across various classes of risk. This allows our team of experts to deliver differentiated outcomes to their direct insureds, which in many situations are also clients of the wider WTW business.

Investment, Risk and Reinsurance

The WTW Investment, Risk and Reinsurance ('IRR') segment uses a sophisticated approach to risk which helps clients free up capital and manage investment complexity. The segment works closely with investors, reinsurers and insurers to manage the equation between risk and return. Blending advanced analytics with deep institutional knowledge, IRR identifies new opportunities to maximise performance. IRR provides investment consulting services and insurance specific services and solutions through reserves opinions, software, ratemaking, usage-based insurance, risk underwriting, and reinsurance broking. The Company's results include part of the reinsurance business within the IRR segment.

Strategy

The Company's strategy is aligned to the WTW strategy, which is based on the belief that a unified approach to people and risk yields growth for our clients. Our integrated teams bring together our understanding of risk strategies and market analytics. This helps clients around the world to achieve their objectives.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Company activities and review of developments (continued)

The Company's business model (continued)

Strategy (continued)

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

We believe we can achieve this by:

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

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

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

Financial Results for the Year Ended 31 December 2017

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

	2017	2016	Movement	% Change
	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	
Turnover	903	925	(22)	(2)%
Operating expenses	(758)	(691)	(67)	(10)%
Profit on ordinary activities before taxation	161	106	55	52%
Shareholder's equity	1,252	1,135	117	10%
Current Assets as % of Current Liabilities	109%	110%		
Average number of employees (note 6)	3,243	3,207		

WTW manages its operations on a business segment 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.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Company activities and review of developments (continued)

Financial Results for the Year Ended 31 December 2017 (continued)

In 2017, the Company's turnover was \$903 million, a \$22 million (2 percent) decrease on 2016 (\$925 million). Excluding the impact of proceeds of a legal settlement in 2016 of \$40 million, underlying revenues increased by \$18 million as a result of:

- \$19 million growth in revenue in the International geography of our Corporate Risk and Broking business driven a number of significant insurance placements for Russian clients;
- \$4 million increased revenues in our Reinsurance business from positive net new business growth;
- \$4 million reported growth in our Corporate Risk and Broking business operating in Great Britain, with single digit growth in Transport and Financial Lines tempered by flat Facultative and Property & Casualty growth;
- \$3 million higher investment income returns on fiduciary cash; and
- \$2 million additional revenues from our HCB business in 2017 following the purchase of the employee benefits book of business from the fellow group company Willis Employee Benefits Limited on 1 April 2017,

partly offset by

- \$4 million lower revenue primarily in our North American Corporate Risk and Broking businesses and Corporate segments; and
- \$10 million adverse year on year transactional foreign exchange on commission and fee income.

Operating expenses excluding foreign exchange of \$758 million were \$67 million higher than in 2016. Underlying salaries and benefits costs were comparable year over year, with an overall increase attributed to higher costs of the HCB and International teams linked to the increased revenue streams as well as lower overall credits from the pension scheme actuarial return on asset and amortisation adjustments. Salary costs are predominantly incurred in pounds sterling, and salary and benefits expenses were favourably affected by the impact of foreign exchange. Other operating expense increases were attributable to system write-downs and increased costs incurred in revenue generation within the International and HCB businesses.

Profit before tax of \$161 million was \$55 million higher than the prior year. As noted above, turnover was down \$22 million versus the prior year and operating expenses \$67 million higher - totalling a \$89 million reduction to operating profit. Offsetting this were:

- a significant \$137 million favourable movement in translational foreign exchange attributed to a strengthening of sterling in the year;
- a reduction in restructuring costs of \$21 million as the Operational Improvement Plan entered its final year in 2017; and
- the non-repeat of losses on disposal of books of business in 2016, contributing \$5 million favourable year on year variance,

partly offset by

- a \$10 million reduction in the net of interest receivable and impairment of a fixed asset investment. This was driven by a 2016 impairment of fixed asset investments of \$28 million relating to the investment in PPH Limited, a subsidiary undertaking, following a dividend receipt of \$26 million included within interest receivable.

Profit after tax of \$126 million is a \$21 million increase on 2016 (2016: profit of \$105 million), with the increase in profit before tax of \$55 million, partly offset by a \$34 million increase in the total tax charge.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Company activities and review of developments (continued)

Financial Results for the Year Ended 31 December 2017 (continued)

Key Performance Indicators

Key performance indicators that are applicable to the Company include:

- *Growth through new business*: The value of new renewable business expressed as a percentage of the total revenue for the period under review;
- *Retention rate*: The rate at which we retain renewable business clients expressed as a percentage of revenue available for renewal;
- *Sales pipeline coverage*: The rate at which our sales pipelines cover our new business targets. We measure these on a net (adjusting for expected conversion rates) and gross basis; and
- *Salaries and benefits expense as a percentage of revenue*: The value of our salary and benefits expense, including incentives, expressed as a percentage of revenue in the same period.

Shareholder's Equity and Other Resources

Shareholder's equity increased by \$120 million to \$1,255 million, reflecting increases from:

- \$126 million net profit after tax as described above;
- \$137 million actuarial gain on the defined benefit pension scheme, with a \$169 million increase in scheme assets following stronger asset returns, partly offset by a \$32 million increase to scheme liabilities attributable primarily to a reduction in discount rates in the year;
- \$65 million unrealised gain relating to the fair value of derivative instruments (forward currency sales) following the significant movements in the value of the pound sterling, Euro and Japanese Yen to the US dollar during the year; and
- \$12 million equity-settled share based payments;

partly offset by:

- \$185 million dividend payment on 29 June 2017; and
- \$35 million deferred tax increase to equity attributed primarily to other comprehensive income movements on the pension scheme net asset and unrealised losses on currency sales.

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

The Company's \$20 million revolving credit facility, taken out in 2010 and renewed annually, is secured against the Company's real estate assets. It was not drawn upon during 2017 or 2016.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Company activities and review of developments (continued)

Balance Sheet

The balance sheet on page 27 of the financial statements shows the Company's financial position at the year end. Net assets have increased by \$120 million as a result of:

- \$518 million increase in fiduciary assets, excluding cash held in a fiduciary capacity;
- \$171 million increase in the net defined benefit pension asset;
- \$141 million increase in deposits and cash held in bank, comprising \$134 million increase in cash held in a fiduciary capacity and \$7 million increase in own cash held;
- \$66 million reduction in the net liability of the fair value of derivative instruments; and
- \$19 million increase in trade debtors,

partly offset by:

- \$652 million increase in fiduciary creditors;
- \$88 million reduction in the remaining net intercompany debtor balance; and
- \$21 million increase in the total of trade creditors, other creditors and accruals;
- \$15 million reduction in deferred tax asset;
- \$7 million higher provisions;
- \$5 million reduction in prepayments and other debtors;
- \$4 million reduction in goodwill and other intangibles, primarily driven by amortisation and the write-down of certain internally generated systems capitalised costs; and
- \$3 million reduction in other fixed assets.

Developments During the Year

On 1 April 2017, the Company acquired the employee benefits insurance broking book of business from Willis Employee Benefits Limited (a fellow group company) for consideration of \$5 million. This book forms the basis of the Health Care and Benefits line of business in Willis Limited.

Defined Benefit Pension Scheme

Schedule of contributions

On 30 March 2018, The Company agreed to a revised schedule of contributions towards on-going accrual of benefits and deficit funding contributions which the Company will make to the UK Plan to the end of 2024, commencing on 1 April 2018.

The previously agreed contribution levels applied throughout 2017 and cover the period to 31 March 2018. Contributions in 2017 were approximately \$39 million, being deficit funding contributions of approximately \$23 million and on-going contributions of approximately \$16 million.

Deficit funding contributions in 2018 will total approximately \$34 million. Annual Legacy Willis Group deficit funding contributions will remain at approximately \$34 million to 2024 after which it is expected that contributions will cease. With regards to the annual deficit funding contributions payable from 2021, the Company and the Trustee will seek to reach agreement over the payment being made to a Reservoir Trust arrangement as well as the circumstances governing that arrangement.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Company activities and review of developments (continued)

Operational Improvement Program

In April 2014, WTW announced an operational improvement program that would allow it to continue to strengthen its client service and deliver future cost savings. The main elements of the program, which was completed during 2017, included:

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

The Company performed an integral role in this operational improvement program in both the IRR and CRB segments.

The Company has incurred cumulative restructuring charges of \$66 million for the program since it began in the second quarter of 2014.

Future Developments

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

Capital policy

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

Principal risks and uncertainties

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

The principal risks and uncertainties facing the Company are:

Change Risk

WTW and the Company have recently undergone several significant business and organisational changes, including the merger of Willis and Towers Watson, as well as the multi-year operational improvement program. Effectively managing these organisational changes is critical to retaining talent, servicing clients and our business success overall. The failure to effectively manage such risks could adversely impact our resources or business or financial results. The Company manages this risk through robust change governance processes, mechanisms to retain key colleagues, delivery of the planned operational improvement program benefits and through ongoing monitoring of key performance indicators designed to provide early notice of declining performance. The Company has a robust approach to change management and the relevant governance forums are utilised to consolidate activity and monitor and adjust that activity to reflect the resource and change capability available from time to time.

Exposure to WTW

The Company is a wholly-owned subsidiary of WTW. WTW is a leading global advisory, broking and solutions company, is listed on the NASDAQ and has total assets at 31 December 2017 of \$32.5 billion.

The Company is dependent upon its ultimate parent company and WTW 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 WTW.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Principal risks and uncertainties (continued)

Exposure to WTW (continued)

WTW is dependent upon the Company for its access to the London Insurance Market and related expertise. The Directors expect the support from WTW to continue for the foreseeable future.

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

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

Economic Environment and Competition

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

Pension Risks

The Company's defined benefit pension scheme was closed to new members in January 2006 but continues to accrue future benefits for existing members. Under FRS 101, the net asset recorded within the financial statements in respect of the pension scheme fund is \$557 million (net of tax) (2016: \$389 million). The liabilities of the pension scheme, and a large proportion of the assets of the scheme, are denominated in pounds 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 2016, showed a deficit of £207 million (\$280 million). Pension risks are mitigated through a balanced approach to investments held and a proactive relationship with the Scheme Trustee, including an agreed funding strategy.

Errors and Omissions Risk

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

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Principal risks and uncertainties (continued)

Regulatory, Legal and Conduct Risk

The Company is subject to regulation from the FCA in relation to its insurance mediation activities. The FCA has prescribed principles for business and rules by which the Company's insurance and reinsurance operations are to conduct business, including the rules governing how the Company holds client assets.

The FCA has three operational objectives:

- promoting effective competition in the interests of consumers;
- securing an appropriate degree of protection for consumers; and
- protecting and enhancing the integrity of the UK financial system.

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

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

To mitigate these risks the Company's Legal, Risk and Compliance departments have established a framework to ensure compliance with all applicable regulatory requirements, which include detailed guidance on the standards to which colleagues must adhere. Reviews and audits of compliance with this guidance are carried out on a regular basis by both the Compliance and Internal Audit departments.

Liquidity Risk

Liquidity risk is the risk that the Company may not have sufficient cash available to meet its obligations as they fall due. The Company assesses potential scenarios and maintains significant cash and liquid funds to mitigate the risk. In the ordinary course of business the Company can also rely on WTW's liquidity. In addition, the Company has access to a \$20 million credit facility.

Currency Risk (Fx)

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

Credit Risk

Credit risk is the risk that counterparties may not be able to repay amounts in full when due. This risk arises in respect of amounts due from clients and insurers in respect of brokerage not yet received, funded claims and funded premiums. It also arises in respect of its cash and investment holdings. The Company is also potentially exposed to credit risk from its investments in its subsidiary undertakings. An impairment allowance would be made if there were to be an identified loss event which would evidence a potential reduction in the recoverability of the cash flows. No such event has been identified.

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

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Principal risks and uncertainties (continued)

Credit Risk (continued)

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

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

Interest Rate Risk

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

Business & Technology Interruption Risk

The Company conducts its business in multiple locations across the world. The most significant of these are in London and Ipswich (United Kingdom), and Delhi 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 has established a control framework around the provision of IT services which aims to address these risks. These controls are subject to ongoing review and testing.

Data Security Risk

We depend on information technology networks and systems to process, transmit and store electronic information and to communicate among our locations around the world and with our alliance partners, insurance carriers/markets and clients. Our information systems, and those of our third-party service providers and vendors, are vulnerable to an increasing threat of continually evolving cybersecurity risks. Computer viruses, hackers and other external hazards, as well as improper or inadvertent staff behaviour, could expose confidential company and personal data 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 colleagues. These increasing risks, and expanding regulatory requirements regarding data security, could expose us to data loss, monetary and reputational damages and significant increases in compliance costs.

Many of the software applications that we use in our business are licensed from, and supported, upgraded and maintained by, third-party vendors. Our third-party applications include enterprise cloud storage and cloud computing application services provided and maintained by third-party vendors. These third-party applications store confidential and proprietary data of both the Company and our clients. 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 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. Further, the potential impact of a data breach of our third-party vendors' systems increases as we move more of our and our clients' data into our vendors' cloud storage, we engage in IT outsourcing or we consolidate the group of third-party vendors that provide cloud storage or other IT services for the Company.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Principal risks and uncertainties (continued)

Data security risk (continued)

We maintain policies, procedures and technological safeguards designed to protect the security and privacy of our 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 and/or loss of revenue.

Political Risk

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

Management has considered the UK referendum vote on 23 June 2016 to depart from the European Union (the 'EU'), the triggering of Article 50 of the Treaty of Lisbon (providing the right to and procedures for a member to leave the EU) on 29 March 2017, the early general election held on 8 June 2017 and the uncertainties about the near-term and longer-term effects of Brexit on the Company. The terms of Brexit, and its impact, are highly uncertain.

At this time, we are not able to predict the impact that Article 50 will have on the economy; economic, regulatory and political stability; or on market conditions in Europe, including in the UK, or on pounds sterling, Euro or other European currencies. However, any such impacts and others we cannot currently anticipate could materially adversely affect us and our operations. Among other things, we could experience: lower growth due to indecision as businesses delay investment or purchasing decisions.

The British government began negotiating the terms of the UK's future relationship with the EU in 2017. While certain separation issues have been resolved, there is still significant uncertainty with respect to the terms of the future relationship between the EU and the UK. Although we cannot anticipate what those terms will be, they may result in greater restrictions on business between the UK and EU countries and increased regulatory complexities. There is also uncertainty regarding how the UK's access to the EU Single Market and the wider trading, legal, regulatory, tax and labour environments, especially in the UK and EU, will be impacted, including the resulting impact on our business and that of our clients. Any such changes may adversely affect our operations and financial results. For example, any changes to the passporting or other regulations relating to doing business in various EU countries by relying on a regulatory permission in the UK (or doing business in the UK by relying on a regulatory permission in an EU country) could increase our costs of doing business, or our ability to do so. As another example, changes in employment law may impact the ability to hire and retain non-UK staff in the UK or UK staff in the EU. In addition, the outcome of the referendum has created uncertainty with regard to the regulation of data protection in the UK. A change in such regulations, or other regulations, could increase our costs of doing business, or in some cases our ability to do business, and adversely impact our operations and financial results.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Principal risks and uncertainties (continued)

Outsourcing Risk

As part of providing services to clients and managing our business, we rely on a number of third-party service providers. Our ability to perform effectively depends in part on the ability of these service providers to meet their obligations, as well as on our effective oversight of their performance. The quality of our services could suffer or we could be required to incur unanticipated costs if our third-party service providers do not perform as expected or their services are disrupted. This could have a material adverse effect on our business and results of operations. The Company manages this risk through processes of supplier and partner selection, onboarding and an ongoing programme of monitoring and review to ensure that our outsource partners remain appropriate.

Environment

The Company recognises the importance of its environmental responsibilities and through WTW monitors its impact on the environment on a location by location basis, and designs and implements policies to reduce any damage that might be caused by its activities. We participate in The Clean City Awards, a program developed and run by the City of London to promote and reward best practices in waste management for London businesses. Our registered office in Lime Street has been awarded Platinum status since 2012.

The Company does not measure performance against specific environmental key performance indicators at this time, but will align with Group measures as these develop.

Employees

Details of the number of employees and related costs can be found in note 6 to the financial statements on page 39.

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

During 2017, just over a year since the merger, WTW commissioned an all-colleague engagement survey across 92 countries and 13 languages to gauge colleague satisfaction and feedback across a range of fourteen topics ranging from business focus through to colleague wellbeing and inclusion. The survey received an 83% response rate, with the results benchmarked against comparable organisations who themselves have also undergone a period of transition. The results of the survey have allowed the executive leadership to identify key themes with priorities for action, and specific outcomes have been communicated to colleagues.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Employees (continued)

Inclusion and Diversity

Inclusion and diversity have a direct impact on WTW's ability to grow and succeed. This is why we are committed to creating an inclusive work environment where everyone is heard, respected and valued for who they are. We believe that building a diverse workforce which leverages all of our best thinking and efforts will be the key to sustaining our competitive advantage, today and in the future.

Our Inclusion and Diversity (I&D) actions focus on the three Cs: Culture, Colleagues and Clients:

- creating a **Culture** that engages all colleagues;
- attracting, developing, and retaining **Colleagues**, who reflect attributes of inherent and acquired diversity; and
- understanding our **Clients** and their people to solve their challenges.

We have defined the following global priorities that we believe will enrich our culture, engage our colleagues and service our clients:

Culture:

- Providing leaders, people managers and colleagues with information to ensure they understand and take responsibility for fostering inclusivity.
- Defining inclusion as a core leadership competency and an annual performance objective.
- Embedding inclusion principles into all of our talent processes to mitigate unconscious bias.

Colleagues:

- Ensuring we have diverse applicant pools for all open positions.
- Providing mentors to support career development, with a focus on underrepresented talent.

Clients:

- Ensuring our client teams can relate to their client's business, bringing the best diverse thinking and ideas to the table.

Supporting these global priorities are geography priorities that are set each year by WTW's geography I&D councils. The Company is represented by the UK council.

Inclusion Networks

Our inclusion networks are company-supported communities that engage our talent and better connect us to each other, our clients and the communities in which we work and live. We currently have three global groups:

- Women and Supporters.
- LGBT+.
- Multicultural .

Our goal is to have a variety of ongoing activities and programs to enhance our colleagues' experience. Inclusion networks help us reach our goal by building awareness and understanding of the concerns and issues across the different segments of our workforce.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Employees (continued)

Inclusion and Diversity (continued)

Our Partnerships, Memberships, Awards and Recognition

WTW works with a number of organisations to help us promote and support our inclusion and diversity priorities through access to events and activities, thought leadership and research, and best practices.

Business Disability Forum

WTW is a member of the Business Disability Forum (BDF) that helps member organisations become 'disability smart', making it easier and more rewarding to do business with and employ disabled people. BDF members employ almost 20% of the UK workforce and, together, they seek to remove the barriers between public and private organisations and disabled people and have contributed to the establishment and development of meaningful disability discrimination legislation in the UK. BDF provides pragmatic support to members by sharing expertise, giving advice, providing training and facilitating networking opportunities.

Business Insurance Diversity & Inclusion Institute

WTW is a Founding Partner of the Business Insurance Diversity & Inclusion Institute. The Institute is dedicated to promoting and advancing diversity and inclusion in every facet of the commercial insurance industry.

Business in the Community (BITC)

BITC's gender equality campaign is committed to empowering employers to accelerate change for women in the workplace. WTW has a core membership which provides access to tailored, practical and pragmatic advice, knowledge, research and expertise on workplace gender equality issues. Additionally, since 2014 BITC has guided our entries in the Opportunity Now/Times Top 50 Employers for Women Awards and in turn, our gender equality related priorities in the UK.

Catalyst

Catalyst is the leading nonprofit organization with a mission to accelerate progress for women through workplace inclusion. They help raise awareness of how inclusion benefits today's global businesses, and provide guidance and solutions on how to enact real change. The member-only content available to WTW colleagues includes career guidance and toolkits, as well as access to whitepapers and special events.

Center for Talent Innovation (CTI)

The mission of the CTI is two-fold: to drive ground-breaking research that leverages talent across the divides of gender, generation, geography and culture; and to create a community of senior executives united by an understanding that full utilisation of the global talent pool is at the heart of competitive success. As task force members, WTW has limited proprietary access to global events, webinars and in-depth research on a wide variety of topics.

Stonewall

WTW is a member of Stonewall's Diversity Champions program, Britain's leading best-practice employers' forum for sexual orientation and gender identity equality. As a member, we benefit from expertise and guidance from their diversity advisors, as well as access to best practices, seminars and networking opportunities. Additionally, our company is featured in their Starting Out Careers Guide and can post job listings on Proud Employers, the UK's only professional LGBT job site. Since 2014, WTW has taken part in Stonewall's annual Workplace Equality Index, a benchmarking tool that helps us assess our LGBT equality progress against Stonewall's best practices and others in our sector.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Employees (continued)

Inclusion and Diversity (continued)

Our Partnerships, Memberships, Awards and Recognition (continued)

Awards and recognition

Since 2016 and 2017 WTW has been recognised for our commitment to inclusion by the following organisations:

Best Places to Work for LGBT Equality, 2018

WTW was named in November 2017 among the Best Places to Work for LGBTQ Equality, receiving a perfect score of 100% on the Human Rights Campaign's (HRC) Corporate Equality Index in the category for Consulting and Business Services. The index is a national US benchmarking survey and reports on corporate policies and practices related to lesbian, gay, bisexual and transgender colleagues and their workplaces.

Winners of The Inclusion and Diversity Award, The Insurance Insider Honours, 2017

WTW won this award for programmes, events and other activities designed to promote and further inclusion and diversity in the global insurance market. Our entry highlighted the work of our five Inclusion Networks in the UK and some of the campaigns they have organised, including Pride and Mental Health Awareness.

Gender Pay Gap Reporting

WTW is committed to giving everyone an equal opportunity to unlock their full potential and succeed, regardless of gender and background. This diversity strengthens our business and benefits both our clients and our colleagues. To encourage companies across all industries to do more to progress women in the workplace, the UK Government requires employers with 250 or more employees to report their gender pay gap annually. Willis Limited has provided this disclosure based on April 2017 data which can be obtained from <https://www.willistowerswatson.com/en-gb/notices/gender-pay-gap-report>.

The report is required to show specific metrics, namely: The **mean hourly rate**, which is the average hourly wage across the entire organisation so the mean gender pay gap is a measure of the difference between women's mean hourly wage and men's mean hourly wage; and the **median hourly rate**, which is calculated by ranking all colleagues from the highest paid to the lowest paid, and taking the hourly wage of the person in the middle; so the median gender pay gap is the difference between women's median hourly wage (the middle paid woman) and men's median hourly wage (the middle paid man).

An additional disclosure has been made to highlight the bonus pay gap measure (both mean and median) which is calculated on the same basis as above, but considers bonus remuneration rather than wage. Bonus pay includes all forms – annual bonus, commission and long-term incentive awards, and includes anyone who received a bonus between April 2016 and April 2017.

The gender pay gap for the Company as at April 2017 based on an hourly pay gap measure is a mean average of 39.8% and median average of 29.4%. In other words when comparing mean hourly rates, women earn 60p for every £1 that men earn and when comparing median hourly rates, women earn 71p for every £1 that men earn.

The bonus pay gap measure is a mean average of 73.5% and median average of 58.0%. 88% of male colleagues received a bonus between April 2016 and April 2017 compared to 87% of female colleagues.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Employees (continued)

Inclusion and Diversity (continued)

Gender Pay Gap Reporting (continued)

In the period following the merger we have focused on coming together as WTW to build a welcoming, inclusive working environment for all. We took an important step in building a more diverse workforce when John Haley, WTW CEO, signed the Paradigm for Parity pledge in 2016. This represents WTW's global commitment to increase the number of women in senior leadership roles, with a goal of achieving gender parity in leadership (50:50) by 2030.

This global challenge applies equally in the UK to the Company. Whilst the Company is getting closer to a gender-balanced workforce overall, we do have a gender pay gap. This is primarily because of the shape of our company – we have significantly more men than women in senior roles that are higher-paid. This is not reflective of who we want to be. While we've taken some positive steps already, we are not satisfied with the pace of change and we are committed to taking meaningful action to address this critical issue.

The steps we have taken to date to narrow the gap have been focused on three topics:

- through **prioritising** progression we continue to inspire and develop all our talented colleagues and ensure that our best talent is ready and actively encouraged to take on leadership positions as opportunities arise. We have worked to ensure that our succession planning processes results in all eligible candidates being considered for senior roles from a broader talent pool;
- the **broadening of recruitment** by using new recruitment processes, partnerships and channels to bring the best talent into the business, regardless of background, and improve the gender mix at all levels; and
- the building of an **inclusive culture** that nurtures diverse talent and where all colleagues can be themselves and be at their best. Flexible working and initiatives such as parenthood in the workplace help to build a supporting working environment, and a full calendar of I&D events through 2018 helps to foster a culture of inclusion.

Employee key performance indicators

Whilst certain colleague measures are tracked as part of our operational activities, such as performance appraisal completion levels, these are not presented as an external reporting measure at this time.

Corporate and Social responsibility

At WTW, we each share a set of core values that serve as a guide for how we manage our relationships inside the company and out. Within these values there is a focus on good citizenship that involves supporting the communities and protecting the environments where we live and work.

WTW has appointed a Global Lead of Corporate Social Responsibility to guide this work and have implemented a Matching Gift Program and Volunteer Day Program available to all colleagues. An internal group-wide forum helps our colleagues celebrate examples of how they use these programs to give back to their communities.

Anti-Bribery and Anti-Corruption

The Company is subject to global anti-bribery and anti-corruption policies and procedures which apply to all colleagues in entities owned and/or controlled by WTW, suppliers to WTW and third parties performing services on behalf of WTW (unless the suppliers or third parties have comparable anti-bribery and anti-corruption policies of their own).

The Anti-Bribery & Corruption Policy states that WTW is committed to conducting business with honesty, integrity and fairness and without the use of bribery and corrupt practices, and prohibits the offering, promising, giving, requesting, agreeing to receive or accepting of any bribe or other illegal or corrupt payment or inducement to or from any person at any time anywhere in the world.

WILLIS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

Anti-Bribery and Anti-Corruption (continued)

The Company is of the view that the principal bribery and corruption risks are through third parties and gifts, entertainment and hospitality. The Company mitigates these risks by global procedures which apply to all colleagues in entities owned and/or controlled by WTW. The Anti-Bribery & Corruption Gifts, Entertainment & Hospitality procedures require Compliance approval of gifts, entertainment and hospitality (whether given or received by WTW) that meet bribery risk criteria explained in the procedures. The Anti-Bribery & Corruption Third Party Approval Procedures require due diligence be conducted on, and business, Compliance and/or committee approval be obtained for, all third parties performing services on behalf of WTW. For all but the very lowest risk third parties, the approval procedures must be refreshed and repeated annually. Very low risk third parties require re-approval under the procedures every two years.

Compliance with the policies and procedures are monitored by the three lines of defence: the business; Compliance; and Audit.

The policies, procedures and supporting forms and information are available to colleagues on WTW's intranet site and are translated into 26 languages to support their global application and understanding.

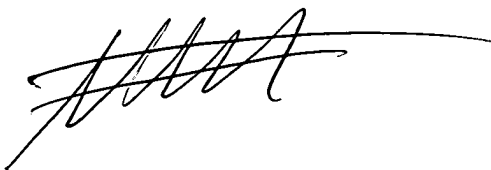
Online training was provided in 2017 in these languages on a risk-based approach to WTW colleagues regarding Anti-Bribery & Corruption; Gifts Entertainment & Hospitality; and Third Party Bribery Risk, including a comprehension test on the module content. At the end of 2017, 90% of Willis Limited colleagues required to complete these modules had done so.

All colleagues of WTW are also required to comply with the Code of Conduct, which sets out the Company's expectations regarding anti-bribery and anti-corruption matters. In 2017 all colleagues were required to complete Code of Conduct training (in multiple languages) and to complete a comprehension test on the module content and certify their understanding and compliance with the Code of Conduct. At the end of 2017, 92% of the Company's colleagues had completed the Code of Conduct training and certification.

Whistleblowing

Pursuant to the Code of Conduct, WTW conducts its business responsibly and in compliance with all applicable laws, regulations, internal accounting standards, accounting controls and audit findings. It is expected that colleagues will act with the highest possible standards of honesty, ethical conduct and integrity in all that they do. Should colleagues have a genuinely held concern that these high standards are not being maintained, they are invited to raise any concerns via several different confidential reporting routes. WTW takes all reports of misconduct seriously and investigates them thoroughly. Reprisal or retaliation against anyone who has in good faith reported potential breaches of our values, the Code of Conduct or the law is not tolerated.

By Order of the Board



Nicolas Aubert
Director
51 Lime Street
London, EC3M 7DQ

2 MAY 2018

WILLIS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their annual report, together with the audited financial statements, for the year ended 31 December 2017.

Merger with Towers Watson & Co.

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

Strategic report

The Directors have approved the content of the Company's strategic report prepared in accordance with Section 414C of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. The report provides an overview of the Company's activities and an analysis of its performance for the year ended 31 December 2017, 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 29.

Dividends

An interim dividend of \$185 million was paid on 29 June 2017 (30 December 2016: \$100 million). The Directors do not recommend the payment of a final dividend (2016: \$nil).

Employees

It is the Company's and WTW'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 colleagues, with respect to employment continuity, training, career development and other employment practices.

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

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

Directors

The current Directors of the Company are shown on page 1, which forms part of this report. John P Cavanagh resigned from the Board since the last Directors' Report. The following Directors joined the Board during the year and after the year end:

- Mary T O'Connor - 8 March 2017
- Peter J Carter - 14 March 2017
- Dr Brendan R O'Neill - 7 June 2017
- James E Kent - 11 January 2018

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 2017 (continued)

Directors' responsibilities statement

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), including Financial Reporting Standard 101, Reduced Disclosure Framework ('FRS 101'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

Disclosure of information to the auditor

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

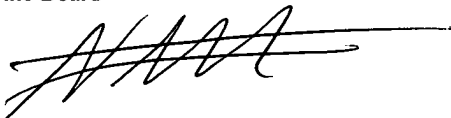
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that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

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

Auditor

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

By Order of the Board



Nicolas Aubert

Director

51 Lime Street

London, EC3M 7DQ

2 MAY 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILLIS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Willis Limited (the 'company') which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 29 and appendix 1.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidences we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



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

2 May 2018

WILLIS LIMITED**INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 \$m	2016 \$m
Brokerage and fees	3	896	881
Other income	4	-	40
Interest and investment income		7	4
Turnover		903	925
Operating expenses		(758)	(691)
Operating income/(expense) – foreign exchange gain/(loss)	5	2	(135)
Loss on disposal of book of business	8	(1)	(6)
Restructuring costs	10	(4)	(25)
Impairment of fixed asset investments	9	-	(28)
Operating profit	5	142	40
Interest receivable and similar income	11	19	66
Profit on ordinary activities before taxation		161	106
Tax charge on profit on ordinary activities	12	(35)	(1)
Profit for the year		126	105

All activities derive from continuing operations.

WILLIS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 \$m	2016 \$m
Profit for the year		126	105
Other comprehensive income/(loss)			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial gain/(loss) on defined benefit pension scheme	24	137	(132)
UK deferred tax attributable to actuarial (gain)/loss	12	(23)	22
UK deferred tax attributable to rate change	12	-	(5)
Net currency translation loss on the UK retail business		-	(3)
		114	(118)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Derivative instruments:			
- Gains/(losses) on forward contracts (effective element)		20	(101)
- Reclassification adjustments for forward exchange contracts included in income statement		45	39
Tax on items relating to components of comprehensive income	12	(12)	11
Other comprehensive income/(loss) for the year, net of income tax		167	(169)
Total comprehensive income/(loss) for the year		293	(64)

WILLIS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2017

	Notes	2017 \$m	2016 \$m
Fixed assets			
Intangible assets	14	219	223
Tangible fixed assets	15	28	31
Investments	16	6	6
		<u>253</u>	<u>260</u>
Current assets			
Debtors:			
Amounts falling due within one year	17	726	656
Amounts falling due after more than one year	17	34	33
		<u>760</u>	<u>689</u>
Fiduciary assets: amounts falling due within one year	18	4,138	3,707
Fiduciary assets: amounts falling due after more than one year	18	231	144
Deposits and cash: held in fiduciary capacity	18	1,210	1,076
Deposits and cash		<u>149</u>	<u>142</u>
		<u>6,488</u>	<u>5,758</u>
Current liabilities			
Creditors: amounts falling due within one year	19	(420)	(309)
Fiduciary liabilities: amounts falling due within one year	20	(5,340)	(4,780)
		<u>(5,760)</u>	<u>(5,089)</u>
Net current assets		<u>728</u>	<u>669</u>
Total assets less current liabilities		<u>981</u>	<u>929</u>
Creditors: amounts falling due after more than one year	21	(7)	(3)
Fiduciary liabilities: amounts falling due after more than one year	20	(239)	(147)
Provisions for liabilities	22	(40)	(33)
Net assets excluding pension plan surplus		<u>695</u>	<u>746</u>
Defined pension plan surplus	24	<u>560</u>	<u>389</u>
Net assets including pension plan surplus		<u>1,255</u>	<u>1,135</u>
Equity			
Called up share capital	23	153	153
Retained earnings		<u>1,102</u>	<u>982</u>
Shareholder's equity		<u>1,255</u>	<u>1,135</u>

The financial statements of Willis Limited, registered company number 00181116, were approved by the Board of Directors and authorised for issue on 2 MAY 2018 and signed on its behalf by:



Peter J Carter
Director

WILLIS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Called up share capital \$m	Retained earnings \$m	Total equity \$m
Balance at 1 January 2016		153	1,110	1,263
Profit for the year		-	105	105
Other comprehensive (loss)/income:				
Actuarial loss on pension scheme	24	-	(132)	(132)
Net currency translation loss on the UK retail business		-	(3)	(3)
Reclassification adjustments for forward exchange contracts included in income statement		-	39	39
Losses on forward contracts (effective element)		-	(101)	(101)
Tax on items relating to components of other comprehensive income		-	28	28
Total comprehensive loss for the year		-	(64)	(64)
Equity-settled share based payment transactions	29	-	36	36
Dividends to shareholders	13	-	(100)	(100)
Balance at 31 December 2016		153	982	1,135
Profit for the year		-	126	126
Other comprehensive income/(loss):				
Actuarial gain on pension scheme	24	-	137	137
Reclassification adjustments for forward exchange contracts included in income statement		-	45	45
Gains on forward contracts (effective element)		-	20	20
Tax on items relating to components of other comprehensive income		-	(35)	(35)
Total comprehensive income for the year		-	293	293
Equity-settled share based payment transactions	29	-	12	12
Dividends to shareholders	13	-	(185)	(185)
Balance at 31 December 2017		153	1,102	1,255

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies

Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 and, consequently, has prepared these financial statements in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework ('FRS 101').

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

The principal accounting policies adopted are set out below.

Disclosure exemptions

The Company has taken advantage of certain disclosure exemptions permitted under FRS 101 in relation to, primarily: (i) business combinations; (ii) share-based payments; (iii) financial instruments; (iv) presentation of a cash flow statement; (v) related party transactions; and (vi) new International Financial Reporting Standards ('IFRSs') that have been issued but are not yet effective as, where required, equivalent disclosures are given in the group financial statements of Willis Towers Watson plc.

Going concern

The Company's business activities and the factors likely to affect its future development and position are set out in the Strategic Report. The Company's financial projections indicate that it will generate positive cash flows on its own account for the foreseeable future. The Company deposits its excess own cash funds with WTW'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 WTW 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 WTW 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 financial statements.

True and fair view override

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

Parent undertaking and controlling party

The Company's:

- immediate parent company and controlling undertaking is Willis Faber Limited; and
- ultimate parent company is Willis Towers Watson plc, a company incorporated in Ireland, whose registered office is Willis Towers Watson House, Elm Park, Merrion Road, Dublin 4, Ireland.

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

The largest and smallest group in which the results of the Company are consolidated is Willis Towers Watson plc, whose financial statements are available to members of the public on WTW's website www.willistowerswatson.com, in the Investor Relations section.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

1. Accounting policies (continued)

Revenue recognition

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

Brokerage income and fees negotiated in lieu of brokerage are recognised at the later of policy inception date or when the policy placement is complete. Revenue is deferred if necessary for any significant post placement obligations. Commissions on additional premiums and adjustments are recognised when approved by or agreed between the parties and collectability is reasonably assured.

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

Revenue is stated net of VAT where applicable.

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

Interest receivable and interest payable

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

Dividend income

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

Foreign currency translation

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').

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

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

During 2016, the Company operated a Retail Network division which was accounted for as a separate pound sterling functional branch. Results for this branch were translated into US dollars at the average exchange rate for the period and translation gains or losses relating to the difference between translating Retail Network's results at average and closing rates and the translation at year end exchange rates of its monetary assets and liabilities were recognised in other comprehensive income. From 1 January 2017, the Company aligned its operating activities and divisions to that of WTW. The Retail Network division was not readily identifiable as a separate division, consequently it was not accounted for as a separate branch of the Company from that date.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

1. Accounting policies (continued)

Intangible assets - Goodwill

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

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

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

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

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

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

Intangible assets - Other

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

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

Tangible fixed assets

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

Freehold buildings	2 per cent per annum
Freehold land	Not depreciated

Expenditure for improvements is capitalised; repairs and maintenance are charged to the income statement as incurred.

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

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

1. Accounting policies (continued)

Fixed asset investments

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

Fiduciary assets and fiduciary liabilities

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

Balances arising from insurance brokerage transactions are reported as separate assets or liabilities unless such balances are due to or from the same party and a right of offset exists, in which case the balances are recorded net.

Fiduciary assets

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

Fiduciary liabilities

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

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

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

Pension costs

The Company has a defined benefit pension scheme and a defined contribution pension scheme. The defined benefit scheme was closed to new entrants in January 2006, and subsequently a salary freeze was enacted on 30 June 2015. New colleagues are now offered the opportunity to join the defined contribution scheme.

Defined benefit scheme

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

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of the defined benefit obligation) and is based on actuarial advice.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

1. Accounting policies (continued)

Pension costs (continued)

Defined benefit scheme (continued)

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

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

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

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

Defined contribution scheme

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

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

Share-based payments

The Company's ultimate parent company, Willis Towers Watson plc, issues equity-settled share-based payments to certain employees of the Company under which the Company receives services from employees as consideration for these awards. The awards are granted by Willis Towers Watson plc and the Company has no obligation to settle the awards.

The fair value of the employee service received in exchange for the grant of the awards is recognised as an expense. A credit is recognised directly in equity. The equity-settled share-based payments are measured at fair value at the date of grant and are expensed on a straight-line basis over the vesting period, based on WTW's estimate of shares that will eventually vest.

Fair value of options is typically measured by use of the Black-Scholes pricing model. The expected life of options granted used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The fair value of each time-based restricted stock unit is based on the grant date fair value. The fair value of each performance-based restricted stock unit is estimated on the grant date using a Monte-Carlo simulation that uses the following assumptions: expected volatility is based on the historical volatility of WTW's shares; and the risk-free rate is based on the US Treasury yield curve in effect at the time of the grant.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

1. Accounting policies (continued)

Income Taxes

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

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

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

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

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

Provisions

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

Financial assets and financial liabilities

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

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

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

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

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

1. Accounting policies (continued)

Financial assets and financial liabilities (continued)

The Company uses derivative financial instruments for other than trading purposes to alter the risk profile of an existing underlying exposure. Interest rate swaps are used to manage interest rate exposures. Forward foreign currency exchange contracts are used to manage currency exposures arising from future income and expenses.

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

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

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

Recent accounting pronouncements adopted in the current period

The Company did not adopt any new International Financial Reporting Standards ('IFRSs') or interpretations ('IFRICs') issued by the International Accounting Standards Board ('IASB') during the year ended 31 December 2017 and no amendments to IFRSs or International Accounting Standards ('IASS') issued or adopted by the IASB had a significant effect on its financial statements.

2. Critical accounting judgements and estimates

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

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

Critical judgements in applying the Company's accounting policies

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

Revenue recognition

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

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

2. Critical accounting judgements and estimates (continued)

Key sources of estimation uncertainty

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

Valuation of goodwill

Significant management judgement is required to estimate:

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

As part of the annual impairment test which was performed as at 31 December 2017, management reviewed the current and expected performance of the cash generating units and determined that there was no indication of impairment of the goodwill allocated to them. See note 14 for the carrying amount of goodwill. No impairment of goodwill was identified in 2017 or 2016.

Acquired customer relationships

During the year, management reconsidered the recoverability and estimated useful economic lives of its intangible acquired customer relationship assets which is included in its balance sheet at \$16 million (see note 14). Management is confident that the carrying amount of the asset will be recovered in full and that the useful economic lives remain appropriate.

Software and development costs

During the year, management reconsidered the recoverability and estimated useful economic lives of its intangible software and development costs asset which is included in its balance sheet at \$17 million (see note 14). An impairment loss of \$6 million was recognised in 2017 following a review of non-strategic systems (2016: \$nil). Management is confident that the carrying amount of the asset will be recovered in full and that the useful economic lives remain appropriate.

Useful economic lives of tangible fixed assets

The annual depreciation charge for freehold land and buildings is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 15 for the carrying amount of the tangible fixed assets, and note 1 for the useful economic lives for each class of assets.

Impairment of investments in subsidiaries

Determining whether the Company's investments in a subsidiary has been impaired requires estimations of the investment's fair value, less costs of disposal, and/or value in use. Management judgement is required to identify comparable recent transactions and/or to estimate the future cash flows expected to arise from the investment and select a suitable discount rate to use in calculating present value. See note 16 for the carrying amount of investments in subsidiaries. No impairment loss was recognised in 2017 (2016: \$28 million).

Impairment of loans and receivables

Management judgement is required to assess at the end of each reporting period whether there is any objective evidence that loans and receivables are impaired and, if so, to determine the amount of any impairment loss. See notes 17 and 18 for the carrying amount of loans and receivables. No impairment loss was recognised in 2017 or 2016.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

2. Critical accounting judgements and estimates (continued)

Key sources of estimation uncertainty (continued)

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are given in note 12.

Provisions

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

Funded defined benefit pension scheme

With effect from 1 January 2016, the Company changed to the granular approach to calculating service and interest cost. This was treated as a change in accounting estimate and resulted in a credit of \$11 million which was included in other finance income for the year ended 31 December 2016.

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

3. Brokerage and fees

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

Brokerage and fees	2017 \$m	2016 \$m
United Kingdom	325	310
North America	144	160
Rest of the world	427	411
	896	881

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

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

	2017 \$m	2016 \$m
4. Other income		
Other income	-	40

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

	2017 \$m	2016 \$m
5. Operating profit		
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets (note 15)	3	2
Amortisation of intangible assets (note 14)	6	5
Impairment of software and development costs (note 14)	6	2
Current service cost of pension schemes:		
- defined benefit scheme (note 24)	32	24
- defined contribution scheme (note 24)	16	17
Net foreign currency exchange differences	(2)	135
Operating lease payments:		
- rental income	-	(1)
Total lease and sublease payments recognised in the income statement	-	(1)

The foreign exchange gain of \$2 million (2016: loss of \$135 million) shown in the income statement is mainly attributable to the fluctuation in the value of the pound sterling and the Euro to the US dollar during the year in relation to intercompany assets and liabilities, the defined benefit pension scheme net asset and the close out of forward currency sale contracts.

Auditor's remuneration

	2017 \$000	2016 \$000
Statutory financial statements audit fee	1,013	692
Audit-related assurance services	95	95
	1,108	787

Auditor's remuneration of £750,000 (\$1,013,000) (2016: £560,000 (\$692,000)) was borne by another Group company.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

6. Employee costs	2017 \$m	2016 \$m
Salaries and incentives	454	491
Social security costs	41	47
Pension costs:		
- defined benefit scheme (note 24)	32	24
- defined contribution scheme (note 24)	16	17
Gross employee costs	543	579
Amounts borne by fellow subsidiary undertakings	(90)	(102)
Net employee costs	453	477

Number of employees – average for the period	2017 Number	2016 Number
Producer	534	545
Client services	1,629	1,599
Management/administration services	1,080	1,063
	3,243	3,207

Pension costs for the defined benefit scheme include only those items included within operating expenses. Further details of those items and those recorded in interest receivable and similar income and other comprehensive income are presented in note 24 on page 50.

A number of the Company's employees are seconded to other subsidiary undertakings within WTW. 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 reduced from \$102 million in 2016 to \$90 million in 2017.

The Company recognised total expenses in 2017 of \$20 million (2016: \$37 million expense) related to equity-settled share-based payment transactions to employees (included within salaries and incentives above). Further details are presented in note 29 on page 56.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

	2017 \$000	2016 \$000
7. Directors' remuneration		
Emoluments (excluding pension contributions, benefits and long-term incentive awards)	7,395	7,520
Benefits	15	23
Pension contributions	254	270
Amounts receivable under long-term incentive rewards	5,372	4,315
	<u>13,036</u>	<u>12,128</u>
Highest paid Director:		
Emoluments (excluding pension contributions, benefits and long-term incentive awards)	1,809	2,263
Benefits	1	1
Pension contributions	30	27
Amounts receivable under long-term incentive rewards	2,794	2,155
	<u>4,634</u>	<u>4,446</u>
Exercise of share options during the year	2,436	1,837
Accrued annual defined benefit pension at the end of the year relating to highest paid Director	-	-
Accrued defined benefit pension lump sum at the end of the year relating to highest paid Director	-	-
	2017 Number	2016 Number
Directors exercising share options	8	2
Directors receiving shares under long-term incentive plans	8	1
Directors eligible for defined benefit pension schemes	2	3
Directors eligible for defined contribution pension schemes	6	5

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

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

	2017 \$m	2016 \$m
8. Loss on disposal of books of business		
Loss on disposal of books of business	(1)	(6)

On 2 February 2016, the Company disposed of the new and renewal business of professional indemnity insurance relating to solicitors to Miller Insurance Services LLP, a fellow Group undertaking, for proceeds totalling \$5 million. A charge in relation to the disposal of goodwill was recognised of \$11 million, resulting in an overall loss on disposal of \$6 million. A subsequent pricing adjustment relating to this disposal increased the loss on disposal by \$1 million in 2017.

	2017 \$m	2016 \$m
9. Impairment of fixed asset investments		
Fixed asset investment impairment charges	-	28

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

	2017 \$m	2016 \$m
10. Restructuring costs		
Restructuring costs	4	25
The tax effect in the profit and loss account relating to this item is:		
Tax credit on restructuring costs	-	5

The restructuring costs of \$4 million (2016: \$25 million) related to WTW operational improvement program and, additionally in 2016, merger integration costs.

In 2017 this consisted of \$3 million of accelerated amortisation of systems costs and \$1 million of professional fees relating to consultancy services. In 2016 this consisted of \$14 million of termination costs related to the elimination of positions in both the Investment, Risk and Reinsurance (IRR) and Corporate Risk and Broking (CRB) segments, in addition to approximately \$9 million of professional fees relating to project management and consultancy services and \$2 million relating to merger integration costs.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

	2017 \$m	2016 \$m
11. Interest receivable and similar income		
Bank interest receivable	1	-
Interest receivable from group undertakings	6	7
Total interest income for financial assets measured at amortised cost	7	7
Income from shares in subsidiary undertakings	-	26
	7	33
 <i>Other finance income</i>		
Return on pension scheme assets (note 24)	77	114
Interest on pension scheme liabilities (note 24)	(65)	(81)
	12	33
 Total interest receivable and similar income	19	66

	2017 \$m	2016 \$m
12. Tax charge on profit on ordinary activities		
<i>(a) Analysis of charge for the year</i>		
Current tax:		
UK corporation tax	21	14
Adjustments in respect of prior periods	(1)	1
Total current income tax	20	15
Deferred tax:		
Origination and reversal of timing differences	9	18
Impact of changes in tax rates	(1)	(11)
Foreign exchange on deferred tax	7	(21)
Total deferred tax (note 12 (e))	15	(14)
 Tax expense in the income statement (note 12 (c))	35	1

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

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

	2017 \$m	2016 \$m
(b) Tax relating to items charged or credited to other comprehensive income		
Deferred tax:		
Actuarial (gains)/losses on defined benefit pension plans	(23)	22
Net (loss)/gain on revaluation of cash flow hedges	(13)	11
Change in tax laws and rates	-	(5)
Total deferred tax	(36)	28
Tax (expense)/credit in the statement of other comprehensive income	(36)	28

	2017 \$m	2016 \$m
(c) Reconciliation of the total tax charge		
The tax assessed for the year is higher (2016: lower) than the standard rate of corporation tax in the UK (19.25%) (2016: 20.0%). The differences are explained below:		
Profit on ordinary activities before taxation	161	106
Tax calculated at UK standard rate of corporation tax of 19.25% (2016: 20.0%)	31	21
Effects of:		
Expenses not deductible for tax purposes	1	2
Non-taxable income – dividends received and legal settlement	-	(13)
Loss on disposal of book of business (note 8)	-	1
Write down of fixed asset investment	-	6
Share-based payment relief	(2)	(2)
Changes in deferred tax laws and rates	(1)	(11)
Tax overprovided in previous years	(1)	1
Other adjustments including the effects of exchange rates and differences in aggregated deferred and current tax rates	7	(4)
Total tax expense reported in the income statement (note 12(a))	35	1

(d) Change in corporation tax rate

The Finance Act 2013 set the rate of UK corporation tax at 20% with effect from 1 April 2015. The Finance Act 2015 maintained this rate for the year from 1 April 2016. The Finance (No.2) Act 2015, which received royal assent on 18 November 2015, reduced the rate to 19% with effect from 1 April 2017 with a further reduction to 18% from 1 April 2020. The Finance Act 2016, which received royal assent on 15 September 2016, subsequently reduced the main rate of corporation tax from 18% to 17% from 1 April 2020. As the changes were substantively enacted prior to 31 December 2017, they have been reflected in these financial statements.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

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

	2017 \$m	2016 \$m
(e) Deferred tax		
The deferred tax included in the balance sheet is as follows:		
Deferred tax liability		
Timing difference on pension asset	(114)	(80)
	<u>(114)</u>	<u>(80)</u>
Deferred tax asset		
Timing difference on share-based payments	5	7
Timing difference on general provisions	5	4
Capital allowances	(2)	(1)
Derivatives	3	16
	<u>11</u>	<u>26</u>
Presented on the balance sheet		
Deferred tax asset (note 17)	11	26
Included in pension asset (note 24)	(114)	(80)
	<u>(103)</u>	<u>(54)</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.

	2017 \$m	2016 \$m
Deferred tax in the income statement		
Pensions	5	18
Share-based payments	3	-
Changes in tax laws and rates	(1)	(11)
Accrued expenses not deductible	1	-
Foreign exchange on non-USD assets	7	(21)
Total deferred tax (note 12(a))	<u>15</u>	<u>(14)</u>

	2017 \$m	2016 \$m
13. Dividends paid and proposed		
Equity dividends on ordinary shares:		
Interim dividend paid 29 June 2017 (2016: 30 December 2016)	<u>185</u>	<u>100</u>
	<u>185</u>	<u>100</u>

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

14. Intangible assets	Acquired customer relationships \$m	Software and development costs \$m	Goodwill \$m	Total intangible assets \$m
<i>Cost</i>				
1 January 2017	20	24	186	230
Additions	5	3	-	8
Impairment	-	(6)	-	(6)
31 December 2017	<u>25</u>	<u>21</u>	<u>186</u>	<u>232</u>
<i>Amortisation</i>				
1 January 2017	5	2	-	7
Amortisation charge	4	2	-	6
31 December 2017	<u>9</u>	<u>4</u>	<u>-</u>	<u>13</u>
<i>Carrying amount 31 December 2017</i>	<u>16</u>	<u>17</u>	<u>186</u>	<u>219</u>
<i>Carrying amount 31 December 2016</i>	<u>15</u>	<u>22</u>	<u>186</u>	<u>223</u>

On 1 April 2017, the Company acquired the employee benefits insurance broking book of business from Willis Employee Benefits Limited, a fellow group undertaking, for consideration of \$5 million.

Software and development costs includes internally generated software development costs relating to the development of systems to support our insurance broking activities. An impairment charge of \$6 million was recorded during the year following a review of non-strategic systems. At 31 December 2017, the carrying amount was \$17 million (2016: \$22 million). These intangible assets are being amortised on a straight line basis and have a remaining amortisation period of 4 and 7 years.

At 31 December 2017, accumulated impairment losses were \$6 million (2016: \$nil).

15. Tangible fixed assets	Freehold land and buildings \$m
<i>Cost</i>	
1 January 2017	<u>42</u>
31 December 2017	<u>42</u>
<i>Depreciation</i>	
1 January 2017	11
Charge for the year	3
31 December 2017	<u>14</u>
<i>Carrying amount 31 December 2017</i>	<u>28</u>
<i>Carrying amount 31 December 2016</i>	<u>31</u>

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

16. Investments held as fixed assets	Unquoted available-for- sale equity investments \$m	Subsidiary undertakings \$m	Total \$m
<i>Cost or fair value</i>			
1 January 2017	1	5	6
Disposals (see below)	-	-	-
31 December 2017	1	5	6

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

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

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

The Company's subsidiaries and associated undertakings at 31 December 2017 are as follows:

Subsidiary undertakings:

	Percentage of share capital held	Class of share	Country of incorporation
<i>Holding Company</i>			
Glencairn UK Holdings Limited *	100%	Ordinary of £1 each	United Kingdom ¹
PPH Limited *	100%	Ordinary of £1 each	Bermuda ²
The CORRE Partnership Holdings Limited	100%	Ordinary of £1 each	United Kingdom ¹
<i>Insurance Broking</i>			
Faber Global Limited	100%	Ordinary of £1 each	United Kingdom ¹
Prime Professions Limited	100%	Ordinary of £1 each	United Kingdom ¹

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

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

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

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

17. Debtors	2017 \$m	2016 \$m
<i>Amounts falling due within one year:</i>		
Trade debtors	270	259
Amounts owed by group undertakings	387	312
Other debtors	-	4
Prepayments and accrued income	42	44
Retention awards	4	4
VAT	2	2
Derivative financial instruments	11	14
Deferred tax asset (note 12)	10	17
	726	656
<i>Amounts falling due after more than one year:</i>		
Trade debtors	30	22
Retention awards	2	2
Other debtors	1	-
Deferred tax asset (note 12)	1	9
	34	33
	760	689

18. Fiduciary assets, deposits and cash	2017 \$m	2016 \$m
<i>Amounts falling due within one year:</i>		
Fiduciary trade debtors	3,319	2,964
Fiduciary amounts owed by group undertakings	696	678
Fiduciary amounts owed by associated undertakings	123	65
	4,138	3,707
Deposits and cash: held in fiduciary capacity	1,210	1,076
	5,348	4,783
<i>Amounts falling due after more than one year:</i>		
Fiduciary trade debtors	162	109
Fiduciary amounts owed by group undertakings	69	35
	231	144

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 2017 (continued)

	2017 \$m	2016 \$m
19. Creditors: amounts falling due within one year		
Trade creditors	18	33
Amounts owed to group undertakings	168	8
Amounts owed to group undertakings in respect of corporation taxation group relief	19	16
Other creditors	5	37
Derivative financial instruments	29	98
Accruals and deferred income	181	117
	<u>420</u>	<u>309</u>

	2017 \$m	2016 \$m
20. Fiduciary liabilities		
<i>Amounts falling due within one year:</i>		
Fiduciary trade creditors	4,883	4,438
Fiduciary amounts owed to group undertakings	367	283
Fiduciary amounts owed to associated undertakings	90	59
	<u>5,340</u>	<u>4,780</u>
<i>Amounts falling due after more than one year:</i>		
Fiduciary trade creditors	221	139
Fiduciary amounts owed to group undertakings	18	8
	<u>239</u>	<u>147</u>

	2017 \$m	2016 \$m
21. Creditors: amounts falling due after more than one year		
Accruals and deferred income	7	3
	<u>7</u>	<u>3</u>

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

22. Provisions for liabilities	Post placement services \$m	Claims and lawsuits \$m	Total \$m
1 January 2017			
Current	7	2	9
Non-current	-	24	24
	<u>7</u>	<u>26</u>	<u>33</u>
Additional provisions made	-	17	17
Provision release	-	(6)	(6)
Charged to profit and loss account	1	-	1
Utilised in the year	<u>-</u>	<u>(5)</u>	<u>(5)</u>
31 December 2017	<u>8</u>	<u>32</u>	<u>40</u>
<i>Analysed as:</i>			
Current	8	11	19
Non-current	-	21	21
	<u>8</u>	<u>32</u>	<u>40</u>

Post placement services provision:

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

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

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

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

The provision comprises estimates for liabilities that may arise from actual and potential claims and lawsuits for errors and omissions from the Company's insurers. Where some of the potential liability is recoverable under insurance arrangements, the full assessment of the liability is included in the provision with the associated insurance recovery shown within amounts receivable from group undertakings. Insurance recoveries recognised at 31 December 2017 amounted to \$9 million.

23. Called up share capital	2017 \$m	2016 \$m
Allotted, called up and fully paid		
105,000,000 (2016: 105,000,000) ordinary shares of £1 each	<u>153</u>	<u>153</u>

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

24. Pensions

Defined Benefit Scheme

The Company operates a defined benefit pension scheme in the UK on behalf of its employees and employees working for or seconded to other subsidiary companies of Willis Towers Watson plc. This scheme was closed to new entrants in January 2006 and subsequently a salary freeze was enacted on 30 June 2015. A full actuarial valuation was carried out at 31 December 2016 and updated to 31 December 2017 by a qualified actuary. The major assumptions used for the actuarial valuation were:

	2017 %	2016 %	2015 %
Rate of increase in pensionable salaries	N/A	N/A	3.2
Rate of increase in pensions in payment (LPI 5%)	3.1	3.1	3.1
Rate of increase in pensions in payment (LPI 2.5%) ⁽ⁱ⁾	1.7	1.8	1.8
Discount rate PBO	2.6	2.5	3.8
Discount rate service cost	2.7	2.6	N/A
Discount rate interest cost on PBO	2.3	2.3	N/A
Discount rate interest rate on service cost	2.5	2.4	N/A
Inflation assumption (RPI)	3.2	3.3	3.3
Inflation assumption (CPI)	2.2	2.2	2.2
	86%/86%	80%/98%	80%/98%
	S2NA for	S1NA for	PNA00 for
	males/females,	males/females,	males/females,
Mortality ⁽ⁱⁱ⁾	CMI 1%	CMI 1%	CMI 1%
	long-term	long-term	long-term
	improvement	improvement	improvement

(i) Based on CPI inflation.

(ii) S2NA, S1NA and PNA00 represent mortality tables; CMI represents assumed improvement in mortality.

Analysis of the amount charged to operating profit:

	2017 \$m	2016 \$m
Current service cost	30	22
Administrative expense	2	2
Total operating charge	32	24

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

	2017 \$m	2016 \$m
Interest income on pension scheme assets	(77)	(114)
Interest cost on pension scheme liabilities	65	81
Net interest on the net defined benefit pension scheme asset	(12)	(33)

Analysis of the amount recognised in other comprehensive income:

	2017 \$m	2016 \$m
Return on pension scheme assets (excluding interest income)	169	407
Actuarial experience losses and gains arising on the scheme liabilities	(74)	10
Changes in actuarial demographic assumptions underlying the present value of the scheme liabilities	9	-
Changes in actuarial financial assumptions underlying the present value of the scheme liabilities	33	(549)
	137	(132)

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

24. Pensions (continued)

Defined Benefit Scheme (continued)

Analysis of amounts included in the balance sheet:

	2017	2016
	\$m	\$m
Fair value of scheme assets	3,643	3,245
Present value of scheme liabilities	(2,969)	(2,776)
Surplus	674	469
Related deferred tax liability (note 12(e))	(114)	(80)
Net pension asset	560	389

Movements in fair value of scheme assets during the year:

	2017	2016
	\$m	\$m
At 1 January	3,245	3,290
Interest income on assets	77	114
Contributions from the Company	42	82
Contributions from the scheme members	1	1
Benefits paid	(68)	(112)
Settlements and curtailments	(128)	-
Administration expenses	(2)	(2)
Return on assets excluding amounts included in net interest	169	407
Exchange adjustments	307	(535)
At 31 December	3,643	3,245

Movements in present value of scheme liabilities during the year:

	2017	2016
	\$m	\$m
At 1 January	2,776	2,677
Current service cost	30	22
Interest cost	65	81
Contributions from the scheme members	1	1
Benefits paid	(68)	(112)
Settlements and curtailments	(128)	-
Actuarial loss	32	539
Exchange adjustments	261	(432)
At 31 December	2,969	2,776

Analysis of scheme assets and expected return:

	Fair value of assets	
	2017	2016
	\$m	\$m
Equity instruments	1,295	1,080
Debt instruments	1,683	1,490
Other	665	675
	3,643	3,245

The actual return on scheme assets for the year ended 31 December 2017 was a gain of \$246 million (2016: gain of \$521 million).

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

24. Pensions (continued)

Defined Benefit Scheme (continued)

Fair value hierarchy

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

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

The following table presents, at 31 December 2017, for each of the fair value hierarchy levels, the Company's UK pension plan assets that are measured at fair value on a recurring basis:

Fair value of plan assets as at 31 December 2017				
	Level 1	Level 2	Level 3	Total
	\$m	\$m	\$m	\$m
Equity securities:				
US equities	-	709	-	709
UK equities	-	80	-	80
Other equities	-	506	-	506
Fixed income securities:				
UK Government bonds	1,841	-	-	1,841
Other Government bonds	-	-	57	57
UK corporate bonds	224	-	-	224
Other corporate bonds	63	-	-	63
Repurchase agreements	-	(549)	-	(549)
Derivatives	-	47	-	47
Real estate	-	-	218	218
Cash and cash equivalents	70	-	-	70
Other investments:				
Hedge funds	-	-	393	393
Other	-	(16)	-	(16)
Total	2,198	777	668	3,643

On 30 March 2018, the Company agreed a revised schedule of contributions towards on-going accrual of benefits and deficit funding contributions which the Company will make to the UK Plan to the end of 2024 commencing 1 April 2018. Based on this agreement, deficit funding contributions in 2018 will total approximately £25 million (\$34 million) and ongoing contributions (excluding salary sacrifice) will total approximately £14 million (\$19 million).

The previously agreed contribution levels applied throughout 2017 and cover the period to 31 March 2018. The contributions paid by the Company for 2017 (excluding salary sacrifice contributions) amounted to £29 million (\$39 million), comprising £12 million (\$16 million) regular contributions and £17 million (\$23 million) towards funding the deficit. The contributions paid by the Company for 2016 (excluding salary sacrifice contributions) amounted to £55 million (\$75 million), comprising £13 million (\$18 million) regular contributions and £42 million (\$57 million) towards funding the deficit.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

24. Pensions (continued)

Defined Benefit Scheme (continued)

With all other assumptions held constant, as at 31 December 2017:

1. a 0.25% increase in the discount rate would decrease plan liabilities by approximately £97 million (\$131 million);
2. a 0.25% increase in the inflation assumption would increase plan liabilities by approximately £38 million (\$52 million); and
3. a 1 year increase in the mortality assumption would increase plan liabilities by approximately £44 million (\$59 million).

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

Defined Contribution Scheme

The Company has operated a defined contribution scheme for new entrants since 1 January 2006, for which the pension cost charge for the year amounted to £12 million (\$16 million) (2016: £13 million (\$17 million)).

25. Forward sale of currency

The Company earns revenue in a number of different currencies, principally US dollars, pounds sterling, Euro 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, WTW 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 WTW 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 WTW's risk management activities in relation to foreign exchange risk. Derivative fair values are estimated using observable market-based inputs or unobservable inputs that are corroborated by market data. Forward contracts for the purchase/sale of foreign currencies are entered into by another subsidiary undertaking. The Company then enters into back-to-back contracts with that subsidiary undertaking. At 31 December 2017 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 was \$11 million and of the liabilities was \$29 million (2016: \$14 million and \$98 million respectively).

These forward contracts are summarised below:

Contracts maturing:	Purchase	Sale	Sale
	GBP	EUR	JPY
	Million/Rate to	Million/Rate to	Million/Rate to
	USD	USD	USD
1 January 2018 to 31 December 2018	219.1m/1.434	67.5m/1.157	3,265.0m/110.819
1 January 2019 to 31 December 2019	129.0m/1.356	39.0m/1.193	1,720.0m/104.343
1 January 2020 to 31 December 2020	45.5m/1.353	12.5m/1.222	425.0m/135.560

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

26. Contingent liabilities

Claims, lawsuits and other proceedings

Stanford Financial Group

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

On 7 September 2016, the plaintiffs in the Action filed with the Court a motion to approve the settlement. On 19 October 2016, the Court preliminarily approved the settlement. Several of the plaintiffs in related actions have objected to the settlement, and a hearing to consider final approval of the settlement was held on 20 January 2017, after which the Court reserved decision. On 23 August 2017, the Court approved the settlement, including the bar orders. Several of the objectors have since appealed the settlement approval and bar orders to the Fifth Circuit. The appeals are currently pending. The Company expects the briefing in connection with the appeals to be completed by late April 2018. There is no date certain for when the appeal will be decided.

There is no indication that these actions will give rise to any future losses or payment by the Company and as a result no provision has been made.

European Commission and FCA Regulatory Investigations

On 4 April 2017, the FCA informed the Company that it had opened a formal investigation into possible agreements/concerted practices in the aviation broking sector.

In October 2017, the European Commission ('Commission') disclosed to WTW that it has initiated civil investigation proceedings in respect of a suspected infringement of E.U. competition rules involving several broking firms, including the Company. In particular, the Commission has stated that the civil proceedings concern the exchange of commercially sensitive information between competitors in relation to aviation and aerospace insurance and reinsurance broking products and services in the European Economic Area, as well as possible coordination between competitors. The initiation of proceedings does not mean there has been a finding of infringement, merely that the Commission will investigate the case.

Now that the Commission has initiated proceedings, the FCA has closed its competition act investigation. However, it retains its jurisdiction over broking regulatory matters arising from the conduct being investigated.

Given the status of the investigation, the Company is currently unable to assess the terms on which this investigation, or any other regulatory matter or civil claims emanating from the conduct being investigated, will be resolved, and thus is unable to provide an estimate of the reasonably possible loss or range of loss.

WILLIS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

26. Contingent liabilities (continued)

London Wholesale Insurance Broker Market Study

In November 2017, the FCA published its Terms of Reference for its Market Study into insurance broking activities in the London Wholesale Market including market power, conflicts of interest and broker conduct. This is an industry-wide inquiry and not particular to the Company. The FCA is using its powers under the UK Financial Services and Markets Act 2000 and will collate information and aims to issue an interim report in or about the fourth quarter of 2018. The Study is expected to take 2 years to conclude. Extensive data requests have been received by the Company with phased response times from March to April 2018. It is possible that outcomes of the Study could include new rules, changes to market practices, referral to the U.K. Competition & Markets Authority for a market investigation, and/or individual firm investigations on specific issues. Given the early stage of the Study, the Company is currently unable to assess whether the FCA will find that competition in the sector is working in the interests of clients or not, and, if the FCA does find that competition in the sector is not working in the interests of clients, what remedies it may impose on the industry or on any industry participants. Given this, the Company is unable to provide an estimate of the reasonably possible loss or range of loss.

27. Directors' interests in contracts

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

28. Related party transactions

During the year the Company transacted in the ordinary course of business brokerage with associated undertakings listed below. Amounts owed by and to group associated undertakings are disclosed in notes 17 and 19. These amounts all relate to trading.

	2017	2016
	\$m	\$m
Al-Futtaim Willis Co LLC	2	1
Willis Towers Watson India Insurance Brokers Private Limited	2	-
Willis Saudi Arabia Company LLC	5	5
	9	6

FRS101 (paragraph 8(k)) exempts the reporting of transactions between group companies in the financial statements of companies that are wholly owned within WTW. 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 2017 (continued)

29. Share-based payments

Share-based Plans

On 31 December 2017, Willis Towers Watson plc, the ultimate parent company of Willis Limited, had a number of open share-based compensation plans, which provide for the grant of time-based and performance-based options, time-based and performance-based restricted stock units and various other share-based grants to employees of Willis Limited. The objectives of these plans include attracting and retaining the best personnel, motivating management personnel by means of growth-related incentives to achieve long-range goals and providing employees with the opportunity to increase their share ownership in Willis Towers Watson plc. All of the Company's share-based compensation plans under which any options, restricted stock units or other share-based grants are outstanding as of 31 December 2017 are described below.

The Company recognised total operating expense in 2017 of \$20 million (2016: \$37 million) related to equity-settled share-based payment transactions.

2012 Equity Incentive Plan

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

There were approximately 7 million shares available for grant under this plan as of 31 December 2017. Options are exercisable on a variety of dates, including from the second, third, fourth or fifth anniversary of grant. Unless terminated sooner by the Board of Directors of Willis Towers Watson plc, the 2012 Plan will expire 10 years after the date of its adoption. That termination will not affect the validity of any grants outstanding at that date.

Option Valuation Assumptions

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model. Expected volatility is based on historical volatility of Willis Towers Watson plc stock. WTW uses the simplified method set out in the Financial Accounting Standards Board's ('FASB') Accounting Standard Codification ('ASC') 718-*Compensation - Stock Compensation* to derive the expected term of options granted as it does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term. The risk-free rate for periods within the expected life of the option is based on the US Treasury yield curve in effect at the time of grant.

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2017 was \$139.64.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

29. Share-based payments (continued)

Details of the range of exercise prices and the weighted average contractual life of share options outstanding at 31 December 2017 are as follows:

	Options outstanding (thousands)	Weighted average remaining contractual life
Range of exercise prices ⁽¹⁾		
\$72.11 - \$78.91	8	0.7 years
\$80.58 - \$92.45	126	2.5 years
\$92.85 - \$105.85	44	1.8 years
\$106.07 - \$115.68	48	1.4 years
\$116.69 - \$147.26	202	4.3 years
	<u>428</u>	<u>3.1 years</u>

⁽¹⁾ Certain options are exercisable in pounds sterling and are converted to dollars using the exchange rate at 31 December 2017.

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Appendix I

MODERN SLAVERY ACT STATEMENT

Modern Slavery Act 2015

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

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

Our approach

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

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

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

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

Training

To ensure a high level of understanding of the risks of modern slavery and human trafficking in our business and our supply chains, we have introduced training for key departments so that relevant employees are aware of the nature of the risks and what warning signs they should look for. During 2017 we again brought in a leading London law firm to provide this training to key personnel in our Procurement, Compliance, Vendor Management, Secretariat, Risk and Legal teams. The training focused on some practical case studies highlighting how modern slavery occurs, the offences under the Act, the reporting obligations for certain entities and general guidance on combating the risk of modern slavery and human trafficking.

We are working with our online training partner with the aim of rolling out appropriate training on modern slavery and ethical purchasing more widely across our whole organisation, in order to improve the level of understanding of the issues throughout the business.

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

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

We have continued investigations into our supply chain to ensure a standardised approach to assessing the risk of modern slavery and human trafficking. Although we are satisfied there is minimal risk, to ensure a coordinated approach going forward we continue to standardise modern slavery and human trafficking requirements for our suppliers. To encourage compliance in our supply chain with our values, wherever possible we endeavour to include appropriate provisions dealing with the risk of modern slavery.

To accompany these investigations, we have reviewed our tender processes, and have formulated modern slavery enquiries to include within tender packs, as appropriate, sent to prospective suppliers. In particular, this year we have developed the procurement processes undertaken by our intra-group shared services providers to combat the risk of modern slavery and human trafficking in their own supply chains.

These enquiries, alongside our existing due diligence processes, will help us to appropriately assess the modern slavery and human trafficking risk in relation to a potential supplier as part of our general consideration of their tender.

WILLIS LIMITED

Appendix I (continued)

MODERN SLAVERY ACT STATEMENT (continued)

Processes and guidance

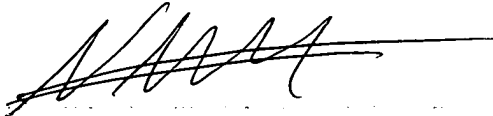
We are reviewing the need to develop a Procurement Intranet site where more information on our processes and guidance to combat modern slavery would be more widely shared. This intranet site would include the modern slavery enquiries we send out to suppliers and prospective suppliers as part of a tender or contract renewal process.

We also have an existing Code of Conduct Reporting and Whistleblowing Guidance that colleagues may follow if they wish to raise concerns relating to modern slavery.

Future developments

We intend to review and develop our processes and guidance, training and supplier approach towards the prevention of modern slavery and human trafficking as our business evolves.

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes our slavery and human trafficking statement for the financial year ending 2017, and has been sent to the Board for approval, as reflected by the Director's signature below.



Nicolas Aubert

WILLIS LIMITED

2 MAY 2018