

WILLIS GROUP SERVICES LIMITED

(Registered Number 1451456)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Directors

SE Wood
Willis Corporate Director Services Limited
SW Gaffney (appointed 3 February 2012)

Secretary

AC Peel (appointed 3 September 2012)

Registered Office

51 Lime Street
London EC3M 7DQ

Auditor

Deloitte LLP
London



DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The Directors present their annual report, together with the audited financial statements, for the year ended 31 December 2012

Principal activities and review of developments

The Company is a subsidiary of Willis Group Holdings plc ('the Group'). The Group is one of the world's leading professional service providers of risk management solutions, risk transfer expertise through insurance and reinsurance broking, and related specialised consultancy services. The Company provides financial, leasing, property holding and administrative services principally for subsidiaries of the Group. The Company also acts as a treasury function, maintaining the flow of funds within the Group. The Company's principal sources of revenue are from income on leased assets, fees receivable in respect of management services and recharges to other Group undertakings. Recharges are based on usage and are allocated using various methods including revenues and headcount.

There have been no significant changes in the Company's principal activities in 2012. 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.

Results

The profit on ordinary activities after taxation amounted to £23 million (2011: loss of £23 million) as shown in the profit and loss account on page 7. The increase in profit is largely attributable to

- an increase in recharges to other Group undertakings of £35 million as the result of a review of the Group's allocation of its costs,
- an increase of £4 million in respect of management fees, and
- a £16 million favourable foreign exchange movement, compared to a foreign exchange loss of £20 million in 2011. The favourable movement in 2012 is mainly attributable to the fluctuation in the value of the pound to the US Dollar and to a lesser extent the Euro, the Brazilian Real and the Japanese Yen in relation to intercompany balances. The exchange loss in 2011 related to the retranslation of non-sterling intercompany debtors and creditors.

The increase in profit is partly offset by

- an increase in operating expenses of £15 million, and
- an increase in the tax charge of £15 million.

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 10.

Dividends

No interim dividend was paid in the year (2011: £nil). The Directors do not recommend the payment of a final dividend (2011: £nil).

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)**Principal activities and review of developments (continued)***Balance sheet*

The balance sheet on page 8 of the financial statements shows the Company's financial position at the year end. Net assets have increased by £23 million mainly as a result of

- £17 million net additions of tangible fixed assets,
 - £22 million increase in deposits and cash, and
 - £7 million increase in the net intercompany debtor balance,
- partly offset by
- £10 million increase in annual incentive scheme accrual, and
 - £7 million decrease in group relief debtor

The Group manages its operations on a divisional basis. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Group, which includes the Company, is discussed in the Group's financial statements which do not form part of this report.

Principal risks and uncertainties

The Company has intercompany balances with fellow Group undertakings in currencies other than pounds sterling, its functional currency, and is therefore exposed to movements in exchange rates. The Group's treasury function takes out contracts to manage this risk at a Group level.

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

Environment

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

Employees

Details of the number of employees and related costs can be found in note 4 to the financial statements on page 14.

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

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

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

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)**Directors**

The current Directors of the Company are shown on page 1, which forms part of this report. SW Gaffney was appointed with effect from 3 February 2012. There were no other changes in Directors during the year or after the year end.

Statement of Directors' responsibilities in relation to the financial statements

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

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

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

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

Disclosure of information to 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 they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

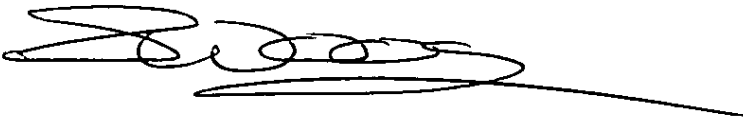
This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

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

A large, stylized handwritten signature in black ink, appearing to read 'SE Wood', with a long horizontal flourish extending to the right.

SE Wood
Director
51 Lime Street
London EC3M 7DQ

1st April

2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WILLIS GROUP SERVICES LIMITED

We have audited the financial statements of Willis Group Services Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



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

19 April 2013

WILLIS GROUP SERVICES LIMITED

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £m	2011 £m
Turnover	2	185	144
Operating expenses		(170)	(155)
Operating income/(expenses) – foreign exchange gain/(loss)		16	(20)
Operating profit/(loss)	3	31	(31)
Finance income, net	6	1	2
Profit/(loss) on ordinary activities before taxation		32	(29)
Tax (charge)/credit on profit/(loss) on ordinary activities	7	(9)	6
Profit/(loss) on ordinary activities after taxation		23	(23)

All activities derive from continuing operations

There are no recognised gains or losses in either 2012 or 2011 other than the profit or loss for those years

WILLIS GROUP SERVICES LIMITED

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BALANCE SHEET AS AT 31 DECEMBER 2012

	Notes	2012 £m	2011 £m
Fixed assets			
Tangible assets	8	104	87
Current assets			
Debtors			
Amounts falling due within one year	9	646	889
Amounts falling due after one year	9	8	12
		<u>654</u>	<u>901</u>
Deposits and cash		<u>25</u>	<u>3</u>
		679	904
Current liabilities			
Creditors amounts falling due within one year	11	<u>(644)</u>	<u>(874)</u>
Net current assets		<u>35</u>	<u>30</u>
Total assets less current liabilities		139	117
Creditors amounts falling due after more than one year	12	(82)	(81)
Provisions for liabilities	13	<u>(4)</u>	<u>(6)</u>
Net assets		<u>53</u>	<u>30</u>
Capital and reserves			
Called up share capital	14	5	5
Profit and loss account	15	<u>48</u>	<u>25</u>
Shareholders' funds		<u>53</u>	<u>30</u>

The financial statements of Willis Group Services Limited, registered company number 1451456, were approved by the Board of Directors and authorised for issue on 19 April 2013 and signed on its behalf by

SE Wood
Director

MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	£m	£m
Movement in shareholders' funds		
Profit/(loss) on ordinary activities after taxation	23	(23)
Net movement in shareholders' funds for the year	23	(23)
Shareholders' funds at beginning of year	30	53
Shareholders' funds at end of year	53	30

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**1. Accounting policies****Basis of preparation**

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

The financial statements have been prepared

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

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The expectation is based on the following reasons:

- the Company is a group management company providing services within the Willis Group. It also acts as a treasury function maintaining the flow of funds from Group subsidiaries,
- the Company has net current assets of £35 million (2011: £30 million), and
- the Directors believe the Willis Group is a going concern.

For these reasons, the Directors continue to adopt the going concern basis in preparing the accounts. The principal risks and uncertainties are discussed in the Directors' Report.

Parent undertaking and controlling party

The Company's

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

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

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

Revenue recognition

Turnover, which arises solely in the UK, comprises income on leased assets and fees receivable in respect of management services and recharges of expenses to other Group undertakings, which are recognised as earned.

Finance income / charges

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

Foreign currency translation

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

1. Accounting policies (continued)

Foreign currency translation (continued)

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

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:

Motor vehicles	Over 4 years
Furniture and equipment	Between 4 and 10 years
Software	Between 3 and 10 years
Freehold buildings	Over 50 years
Short/long leaseholds improvements	Over period of lease
Freehold land	Not depreciated

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

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

Pension costs

The Group has a defined benefit pension scheme and a defined contribution pension scheme. The defined benefit scheme was closed to new entrants in January 2006. New entrants are now offered the opportunity to join a defined contribution scheme.

Defined benefit scheme

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

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

As the Directors are unable to identify the Company's share of the scheme's underlying assets and liabilities, the Company recognises as its pension cost the contributions payable under the scheme during the year, as allowed by FRS17 and are charged to the profit and loss account as part of the employee costs in the period in which they fall due. The pension cost to the Company is based on the contribution rates assessed in accordance with the advice of professionally qualified actuaries using the projected unit credit method. The pension contribution rates are based on pension costs across the Group's UK companies as a whole.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)**1 Accounting policies (continued)****Pension costs (continued)*****Defined contribution scheme***

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

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

Taxation

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

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more or less tax, at a future date, at rates expected to apply when they reverse based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

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

Derivative financial instruments

The Company uses derivative financial instruments for other than trading purposes to alter the risk profile of an existing underlying exposure. Forward foreign currency exchange contracts are used to manage currency exposures arising from future income. Gains or losses based on the contracted rate are recognised on maturity of the contract.

Leased assets

Rentals payable or receivable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are also charged in the profit and loss account on a straight-line basis over the lease term.

Cash flow statement

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

2. Turnover

Turnover arises solely in the UK and is analysed in the table below

	2012 £m	2011 £m
Management charge	12	8
Expenses recharged to other Group companies	148	113
Income on assets leased to other Group companies	16	14
Rental income	9	9
	<u>185</u>	<u>144</u>

3 Operating profit/(loss)	2012 £m	2011 £m
Operating profit/(loss) is stated after charging/(crediting)		
Depreciation of tangible fixed assets		
Owned	<u>14</u>	<u>12</u>
Rental income		
Land and buildings	<u>21</u>	<u>22</u>
Rental income	<u>(9)</u>	<u>(9)</u>
Currency translation adjustments	<u>(16)</u>	<u>20</u>

The foreign exchange profit of £16 million (2011 loss of £20 million) shown in the profit and loss account is mainly attributable to the fluctuation in the value of the pound to the US Dollar and to a lesser extent the Euro, the Brazilian Real and the Japanese Yen

<i>Auditor's remuneration</i>	2012 £m	2011 £m
Audit fees	<u>1</u>	<u>1</u>

The Company bore the audit fees of other UK Group companies in the current and preceding year. These were subsequently recharged to other Group companies. Fees payable to the Company's auditor for the audit of the Company's annual accounts pursuant to legislation were £62,400 in 2012 and £62,400 in 2011.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

4. Employee costs	2012 £m	2011 £m
Salaries	57	40
Social security costs	3	3
Other pension costs	4	4
	64	47

The Company incurred redundancy costs of £nil (2011 £4 million) not included in the numbers above, but included in operating expenses

Number of employees – average for the period	2012 Number	2011 Number
Producer	10	8
Client services	77	76
Management / administration services	513	462
	600	546

The staff working for the Company are contractually employed by other subsidiary undertakings of Willis Group Holdings plc. The Company bears the cost of the salaries, social security payments and pension contributions relating to such staff in order to meet its obligations to other Group companies.

Cash retention awards

For the past several years, Willis Group Holdings plc (the 'Group') made annual cash retention awards to its employees under its annual incentive schemes. Employees were required to repay a proportionate amount of these awards if they voluntarily left the Group's employ (other than in the event of retirement or permanent disability) before a certain time period, typically up to three years. The Group made cash payments to its employees in the year it granted these retention awards and recognised these payments ratably over the period they were subject to repayment, beginning in the quarter in which the award was made. The unamortised portion of cash retention awards was recorded within prepayments and accrued income.

The following table sets out the amount of cash retention awards made and the related amortisation of those awards for the years ended 31 December 2012 and 2011.

	2012 £m	2011 £m
Cash retention awards made	8	8
Amortisation of cash retention awards included in salaries	8	8

In December 2012, the Group decided to eliminate the repayment requirement from the past annual cash retention awards and, as a result, the Company wrote off the unamortised balance of past awards of £8 million, leaving a balance of £nil at 31 December 2012 (2011: £8 million).

The Group has replaced annual cash retention awards with annual cash bonuses which will not include a repayment requirement. The Company accrued an additional £10 million as at the balance sheet date for these 2012 cash bonuses to be paid in 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

5 Directors' remuneration

The Directors of the Company received no remuneration for services rendered to the Company during the year (2011 £nil)

6. Finance income, net	2012 £m	2011 £m
<i>Interest and investment income</i>		
Interest receivable from Group undertakings	9	8
<i>Interest payable and similar charges</i>		
Interest payable to Group undertakings	(7)	(5)
Other loans	(1)	(1)
	(8)	(6)
Finance income, net	1	2

7. Tax on profit/(loss) on ordinary activities	2012 £m	2011 £m
<i>(a) Analysis of charge/(credit) for the year</i>		
Current tax:		
UK corporation tax on profit/(loss) at 24.5% (2011 26.5%)	8	(8)
Adjustments in respect of prior periods	-	1
Total current tax (note 7(b))	8	(7)
Deferred tax:		
Adjustments to the estimated recoverable amount of deferred tax arising in previous periods	1	1
Total deferred tax (note 10)	1	1
Tax on profit/(loss) on ordinary activities	9	(6)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

7. Tax on profit/(loss) on ordinary activities (continued)	2012	2011
	£m	£m
<i>(b) Factors affecting current tax for the year</i>		
The tax assessed for the year is equal to (2011 higher than) the standard rate of corporation tax in the UK (24.5%) (2011 26.5%). The differences are explained below		
Profit/(loss) on ordinary activities before taxation	32	(29)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011 26.5%)	8	(8)
Effects of Adjustments to tax charge in respect of prior years	-	1
Total current tax charge/(credit) for the year (note 7(a))	8	(7)

(c) Circumstances affecting current and future tax charges

The Government announced on 23 March 2011 that it intended to reduce the rate of UK corporation tax from 28% to 23% over four years. Consequently the Finance Act 2011, which was substantively enacted on 5 July 2011, included provisions to reduce the rate of UK corporation tax to 26% with effect from 1 April 2011 and to 25% with effect from 1 April 2012.

On 21 March 2012, the Government proposed further legislation to reduce the rate of UK corporation tax to 22% by 2014. Consequently, the Finance Act 2012 which was substantively enacted on 3 July 2012, included provisions to reduce the rate of UK corporation tax to 24% with effect from 1 April 2012 and 23% from 1 April 2013. The rate reduction to 23% had been substantively enacted prior to 31 December 2012 and therefore has been reflected in the financial statements.

The Government has subsequently proposed that from 1 April 2014 the rate will be 21% rather than the previously announced 22% and that the rate will be further reduced to 20% from 1 April 2015. These changes to the main tax rate have not been substantively enacted at the Balance Sheet date, and, therefore, are not included in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

8. Tangible fixed assets

	<u>Land and buildings</u>		
	Long/short leasehold improvements	Furniture, equipment, software and vehicles	Total
	£m	£m	£m
<i>Cost or valuation</i>			
1 January 2012	59	101	160
Additions	1	30	31
Disposals	(1)	(21)	(22)
31 December 2012	59	110	169
<i>Depreciation</i>			
1 January 2012	12	61	73
Provision for the year	3	11	14
Disposals	(1)	(21)	(22)
31 December 2012	14	51	65
<i>Net book value 31 December 2012</i>	45	59	104
<i>Net book value 31 December 2011</i>	47	40	87

Any impairment in the value of fixed assets is charged to the profit and loss account in accordance with FRS11 'Impairment of fixed assets and goodwill'

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

9. Debtors	2012 £m	2011 £m
<i>Amounts falling due within one year:</i>		
Amounts owed by Group undertakings	619	852
Amounts owed by associated undertakings	-	1
Amounts owed by Group undertakings in respect of corporation taxation group relief	8	15
Other debtors	3	5
Prepayments and accrued income	16	16
	<u>646</u>	<u>889</u>
<i>Amounts falling due after more than one year:</i>		
Deferred tax asset (note 10)	1	2
Prepayments and accrued income	-	3
Accrued rental income from subleases	7	7
	<u>8</u>	<u>12</u>
	<u>654</u>	<u>901</u>

The accrued rental income due after more than one year represents lease incentives in relation to rent receivable from operating subleases, primarily on the leased London headquarters. These will be charged to the profit and loss account on a straight-line basis over the lease term.

10. Deferred tax	2012 £m	2011 £m
<i>Deferred tax has been provided in full in respect of assets/liabilities arising from the following timing differences:</i>		
Capital allowances	(2)	(1)
Other provisions	3	3
	<u>1</u>	<u>2</u>
At 1 January	2	3
Deferred tax charge in profit and loss account (note 7 (a))	(1)	(1)
	<u>1</u>	<u>2</u>
At 31 December	1	2

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

11. Creditors: amounts falling due within one year	2012 £m	2011 £m
Amounts owed to Group undertakings	603	843
Income tax and social security	9	8
Incentives from lessors	3	2
Other creditors	12	14
Accruals and deferred income	17	7
	644	874

12 Creditors: amounts falling due after more than one year	2012 £m	2011 £m
Incentives from lessors (i)	76	75
Unfunded pension liability (ii)	6	6
	82	81

(i) The amounts due after more than one year represent lease incentives, including deferred discounts in relation to rent payable on operating leases, primarily on the leased London headquarters. These will be released to the profit and loss account on a straight-line basis over the lease term. Of this £64 million falls due in greater than five years from the balance sheet date (2011: £68 million).

(ii) The Company has an obligation to pay certain retirement benefits to a small group of former employees. The Company expects the majority of this liability to become payable in greater than five years from the balance sheet date.

13. Provisions for liabilities	Dilapidation provision £m	Exceptional restructuring provision £m	Total £m
1 January 2012	2	4	6
Charged to profit and loss account	-	1	1
Utilised in the year	-	(3)	(3)
31 December 2012	2	2	4

Dilapidation provision

The provision is in respect of the estimated costs of dilapidation work on leased properties prior to the properties being vacated at the end of the lease term.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

13 Provisions for liabilities (continued)

Exceptional restructuring provision

The provision is in respect of properties no longer required for operational purposes. The Company expects the majority (£1 million) to be utilised within the next year.

14. Called up share capital	2012 £m	2011 £m
Allotted, called up and fully paid		
5,000,000 (2011: 5,000,000) ordinary shares of £1 each	5	5

15. Reserves and shareholders' funds	Share capital £m	Profit and loss account £m	Total £m
1 January 2012	5	25	30
Profit on ordinary activities after taxation	-	23	23
31 December 2012	5	48	53

16 Commitments

The Company had contracted for but not provided for capital expenditure at 31 December 2012 of £5 million (2011: £8 million).

Annual commitments under non-cancellable operating leases are as follows:

Lease expiry date	Land and buildings			Total 2011 £m
	Lime Street 2012 £m	Other 2012 £m	Total 2012 £m	
	Within one year	-	-	
Between two and five years	-	2	2	1
After five years	16	8	24	24
Total annual operating lease commitments	16	10	26	26

The Company provides the Group with its London headquarters. In November 2004, the Company entered into a 25 year agreement with long-time client British Land plc to lease the new London headquarters for the Group on Lime Street, London. The Company took control of the building in June 2007 and the Group's London based employees moved in to the new building at the end of April 2008. As at 31 December 2012, the outstanding contractual obligation in relation to this commitment was £449 million (2011: £466 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

17 Pensions

Defined Benefit Scheme

Certain staff working for the Company are members of the Willis Pension Scheme in the United Kingdom ('the Scheme'), which is funded externally and is of the defined benefit type. The staff working for the Company are contractually employed by Willis Limited, a fellow subsidiary undertaking of Willis Group Holdings plc. The pension cost to the Company is based on the contribution rates assessed in accordance with the advice of professionally qualified actuaries using the projected unit credit method. The pension contributions rates are based on pension costs across the Group's UK companies as a whole.

The most recent actuarial valuation of the Scheme was at 31 December 2010. The most recent actuarial valuation has been reviewed and updated as at 31 December 2012 to take account of the requirements of FRS17 'Retirement Benefits', in order to assess the liabilities of the Scheme at 31 December 2012.

The Directors consider that the share of the Scheme's underlying assets and liabilities attributable to the Company's employees cannot be separately identified as several Group companies participate in the Scheme. Accordingly all Scheme assets and liabilities are included on the balance sheet of Willis Limited. The Scheme showed an overall surplus after tax of \$136 million (£83.8 million) at 31 December 2012 compared with an overall surplus after tax of \$130 million (£84 million) at 31 December 2011. Company funded contributions were made at the rate of 14.4% of basic salaries in 2012 compared with 14.8% in 2011. In addition, the Scheme contributions were 10% in 2012 and in 2011 8% up to 1 July 2011 and 10% thereafter for all employed members.

Full disclosures for the Scheme under FRS17 are included in the financial statements of Willis Limited.

The Scheme was closed to new members from 1 January 2006.

Defined Contribution Scheme

The Group operated a defined contribution scheme for new entrants from 1 January 2006 for which the pension cost charge for the year for the Company amounted to £1,872,000 (2011: £1,436,000).

18. Foreign exchange forward contracts

During the year ended 31 December 2012, the Company entered into a series of foreign currency hedges of intercompany loans denominated in foreign currency. These foreign currency hedges were not designated as hedging instruments and were for a total notional amount of \$63 million, all representing sales and purchases against pound sterling.

19. Related party transactions

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