

WILLIS LIMITED

(Registered No. 181116)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

DIRECTORS

RJS Bucknall - Chairman
T Colraine - Chief Executive (appointed 15 May 2006)
TA Bartleet (appointed 5 January 2006)
RH Gayner
ACA Gribben
CM London
DB Margrett (appointed 27 January 2005)
SG Maycock
GJ Millwater
IV Pocock
P Regan (appointed 2 February 2006)
MR Rendle (non-executive) (appointed 1 January 2005)
D Samengo-Turner (appointed 5 January 2006)
J Scampas

SECRETARY

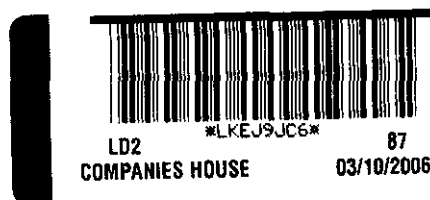
MP Chitty

REGISTERED OFFICE

Ten Trinity Square
London EC3P 3AX

AUDITORS

Deloitte & Touche LLP
London



DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

The Directors present their annual report, together with the audited financial statements, for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES AND REVIEW OF DEVELOPMENTS

The Company is a Lloyd's broker engaged in international insurance and reinsurance broking.

The Company is authorised with the Financial Services Authority ("FSA") for its regulated insurance mediation activities. *From 14 January 2005 the FSA regulates all insurance intermediaries in the UK.*

The Company's leadership position in many of its activities, particularly in the handling of multinational accounts, enabled it to meet the challenges in the insurance and reinsurance markets in which the Company trades with positive effect. The Company's operating revenue increased by 0.7% to \$787,239,000. The Company has adopted for the first time the accounting policy known as FRS17 (retirement benefits) and as a consequence the financial statements for 2004 have been restated (see note 26 in the financial statements).

During the year, the Company acquired the business and trade of UK insurance broker CR King & Partners Limited.

RESULTS

The profit on ordinary activities after taxation amounted to \$125,165,000 (2004: \$227,357,000), of which \$34,165,000 (2004: \$97,357,000) has been carried to reserves.

FUTURE DEVELOPMENTS

The Company continues to pursue its strategy of growth, concentrating on its core activities of insurance and reinsurance broking, by increasing its resources and capabilities where these add value to its client base. During 2005, the Company provided to its clients transparency of its compensation as it believes providing this information further strengthens with the client the bond of trust on which the Company's business depends.

USE OF FINANCIAL INSTRUMENTS

At 31 December 2005 the Company had entered into forward contracts for the sales of foreign currencies in which it has significant income. These contracts are part of a rolling hedging programme of foreign currency exposure for the subsequent 3 years. These forward contracts are summarised in note 22 to the accounts.

DIVIDENDS

An interim dividend of \$91,000,000 was paid on 8 August 2005 (2004: \$30,000,000 and \$100,000,000 were paid on 10 May and 13 October 2004 respectively). The Directors do not recommend the payment of a final dividend (2004: £nil).

DIRECTORS AND THEIR INTERESTS

The present Directors of the Company are named on page 1 which forms part of this report. All Directors held office throughout the year except as noted.

MDT Faber, CN Clark, WP Bowden Jr and GM Bessis resigned as Directors of the Company with effect from 30 December 2005, 6 January 2006, 10 February 2006 and 22 May 2006 respectively.

The Directors have no disclosable interests in the shares of the Company or its fellow group companies. Advantage has been taken of the provisions of the Companies (Disclosure of Directors' interests) (Exceptions) Regulations 1985.

EMPLOYMENT POLICIES

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

Communication with employees concerning the objectives and performance of the Company is conducted through personal 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 Company's vision and business strategy.

It is the Company'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 2005 (continued)**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS**

The Directors are required to report on their responsibilities in relation to the preparation of financial statements for each financial year and the following statement should be read in conjunction with the auditors' statement of their responsibilities set out on page 4.

United Kingdom company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year. The Directors are required to prepare financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the accounts on pages 5 to 20 the Directors consider that:

- (a) they have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates; and
- (b) all applicable accounting standards have been followed.

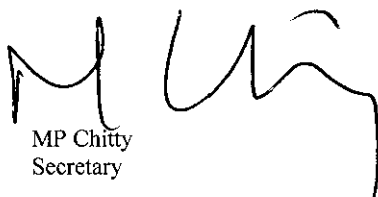
The Directors have responsibility for ensuring that the Company keeps proper accounting records which disclose at any time and with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985 (as amended).

The Directors are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

AUDITORS

The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provision of section 386(2) of the Companies Act 1985.

By Order of the Board



MP Chitty
Secretary

27th September 2006
Ten Trinity Square
London EC3P 3AX

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WILLIS LIMITED

We have audited the financial statements of Willis Limited for the year ended 31 December 2005 which comprise the profit and loss account, statement of recognised gains and losses, the balance sheet, the movement in shareholders' funds, and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
United Kingdom

2 October 2006

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

		2005	2004
	Note	\$000	Restated \$000
Brokerage and fees	3	745,519	741,299
Interest and investment income	4	41,720	40,346
OPERATING REVENUE		787,239	781,645
Operating expenses		676,762	561,494
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE FINANCING ACTIVITIES AND TAXATION	5	110,477	220,151
NET INVESTMENT INCOME FROM FINANCING ACTIVITIES	6	32,741	23,093
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		143,218	243,244
Tax on profit on ordinary activities	9	18,053	15,887
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		125,165	227,357
DIVIDENDS PAID		91,000	130,000
RETAINED PROFIT FOR THE FINANCIAL YEAR	21	34,165	97,357

All activities derive from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2005

	2005	2004
	\$000	Restated \$000
Profit after tax for the financial year	125,165	227,357
Currency translation movements	-	26
Actual return less expected return on pension scheme assets	184,143	57,913
Experience gains/(losses) arising on pension scheme liabilities	14,557	(3,116)
Changes in assumptions underlying the present value of pension scheme liabilities	(185,599)	(132,138)
Foreign exchange gain/(loss) on pension scheme liability	15,878	(9,638)
UK deferred tax attributable to actuarial loss	(10,971)	14,693
Total recognised gains and losses for the financial year	143,173	155,097
Prior period adjustment (as explained in note 19)	(157,255)	
Total gains and losses recognised since the last annual report	(14,082)	

WILLIS LIMITED


6

BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	2005 \$000	2004 Restated \$000
FIXED ASSETS			
Intangible assets	10	153,088	168,203
Investments	11	1,752	1,755
		<u>154,840</u>	<u>169,958</u>
CURRENT ASSETS			
Debtors	13	4,370,458	4,187,321
Investments	15	86	122
Deposits and cash		962,828	1,020,107
		<u>5,333,372</u>	<u>5,207,550</u>
CURRENT LIABILITIES			
CREDITORS: amounts falling due within one year	16	4,858,377	4,748,351
NET CURRENT ASSETS		<u>474,995</u>	<u>459,199</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		629,835	629,157
CREDITORS: amounts falling due after more than one year	17	5,435	3,705
PROVISION FOR LIABILITIES AND CHARGES	18	24,800	23,608
NET ASSETS EXCLUDING PENSION LIABILITY		<u>599,600</u>	<u>601,844</u>
PENSION LIABILITY	19	102,838	157,255
NET ASSETS INCLUDING PENSION LIABILITY		<u>496,762</u>	<u>444,589</u>
CAPITAL AND RESERVES			
Called up share capital	20	152,557	152,557
Profit and loss account	21	344,205	292,032
EQUITY SHAREHOLDERS' FUNDS		<u>496,762</u>	<u>444,589</u>

The financial statements were approved by the Board of Directors on 27 September 2006.

Signed on behalf of the Board of Directors


RJS Bucknall
Director

MOVEMENT IN SHAREHOLDER'S FUNDS FOR THE YEAR ENDED 31 DECEMBER 2005

	2005	2004
	\$000	Restated \$000
Profit on ordinary activities after taxation for the financial year	125,165	227,357
Dividends paid	91,000	130,000
Currency translation gain	-	26
	<hr/> 34,165	<hr/> 97,383
Movements in Pension scheme liability:		
Actual return less expected return on pension scheme assets	184,143	57,913
Experience gains/(losses) arising on pension scheme liabilities	14,557	(3,116)
Changes in assumptions underlying the present value of pension scheme liabilities	(185,599)	(132,138)
Foreign exchange gain/(loss) on pension scheme liability	15,878	(9,638)
UK deferred tax attributable to actuarial loss	(10,971)	14,693
	<hr/> 18,008	<hr/> (72,286)
Total recognised gains for the financial year	<hr/> 52,173	<hr/> 25,097
Net movement in shareholders' funds for the year	<hr/> 52,173	<hr/> 25,097
Shareholders' funds at 1 January (as previously stated)	444,589	516,689
Prior year adjustment for FRS17 Pension obligations (see note 19)	-	(97,197)
Shareholders' funds at 1 January (restated)	<hr/> 444,589	<hr/> 419,492
Shareholders' funds at 31 December	<hr/> 496,762	<hr/> 444,589

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1. ULTIMATE PARENT COMPANY

The Company's immediate parent company and controlling party is Willis Faber Limited. The Company's ultimate parent company and controlling party is Willis Group Holdings Limited, a company incorporated in Bermuda whose group financial statements are available from the Company Secretary, Ten Trinity Square, London EC3P 3AX.

The largest group in which the results of the Company are consolidated is that headed by Willis Group Holdings Limited ("the Group"), with the smallest group being headed by TAI Limited. The consolidated accounts for these groups are available to members of the public from the Company Secretary, Ten Trinity Square, London EC3P 3AX.

2. ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared on the going concern basis under the historical cost convention and comply with applicable law and accounting standards in the United Kingdom. The Company's functional currency is the US Dollar and accordingly the financial statements have been prepared in this currency.

(b) Revenue recognition

Brokerage income or fees negotiated instead of brokerage are recognised at the later of policy inception date or when the policy placement is complete. An element of brokerage income is deferred to cover contractual obligations of future client servicing. Interest receivable and interest payable are accounted for on an accruals basis.

(c) Currency translation

Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction, or, in the case of forward contracts in respect of the current year's income, at the contracted rate. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account with the exception of exchange differences on arising on movements in the Statement of Recognised Gains and Losses, which are taken to the Statement of Total Recognised Gains and Losses.

(d) Goodwill

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

Goodwill is capitalised and amortised on a systematic basis over its useful economic life, determined on the individual circumstances of each business acquired but limited to a maximum period of 20 years. It is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

(e) Insurance broking debtors and creditors

Insurance brokers usually act as agents in placing the insurable risks of their clients with insurers and, as such, generally are not liable as principals for amounts arising from such transactions. Notwithstanding the legal relationships with clients and insurers, insurance brokers are entitled to retain investment income on any cash flows arising from insurance broking transactions and accounting standards require debtors and creditors arising from such transactions are shown as assets and liabilities.

Debit and credit balances arising from insurance broking transactions are reported as separate assets or liabilities unless such balances are due to or from the same party and the offset would survive the insolvency of that party, in which case they are aggregated into a single net balance.

Funds held in connection with insurance broking transactions are generally required to be held in regulated bank accounts and are generally not available for purposes other than settling insurance broking transactions.

(f) Taxation

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

2. ACCOUNTING POLICIES (continued)

(g) Pensions

The Company has adopted FRS17 "Retirement benefits" for the first time, in these Financial Statements. Details of the effect of these changes are given in note 26.

The Company operates a defined benefit scheme for which the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are 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 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.

(h) Cash flow statement

Under FRS1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is prepared at Group level.

(i) Fixed asset investments

Investments in subsidiaries are carried at cost less provisions for any impairment in value.

(j) Current asset investments

Current asset investments are held at the lower of cost or net realisable value.

3. BROKERAGE AND FEES

The table below analyses the Company's brokerage and fees by the accounting 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.

	2005	2004
	\$000	Restated \$000
United Kingdom	355,613	362,252
North America	117,046	113,275
Rest of the World	272,860	265,772
	<u>745,519</u>	<u>741,299</u>

4. INTEREST AND INVESTMENT INCOME

	2005	2004
	\$000	\$000
Investment income	<u>41,720</u>	<u>40,346</u>

The investment income shown above derives from interest earned by the Company on funds in its own bank accounts and funds held in trust bank accounts on behalf of clients and underwriters. The Company also earns interest on loans it gives to fellow subsidiary undertakings, details of which are shown in note 6.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

5.	OPERATING PROFIT	2005	2004
		\$000	Restated \$000
	Operating profit is stated after (crediting)/charging:		
	(Decrease)/increase in general bad debts	(5,381)	3,406
	Amortisation of goodwill	12,938	6,981
	Current service cost of pension scheme	47,310	41,602
	Included within operating expenses is a recharge of Auditors remuneration borne by a fellow subsidiary undertaking, as follows:		
	Auditors' remuneration:		
	Audit fees – UK	728	733
	Non-audit fees – UK	-	3
		728	736
6.	NET INVESTMENT INCOME FROM FINANCING ACTIVITIES	2005	2004
		\$000	Restated \$000
	Investment income:		
	Income from shares in subsidiary undertakings	-	417
	Interest receivable from group undertakings	14,569	7,898
		14,569	8,315
	Interest payable and similar charges:		
	Bank loans, overdrafts and other loans repayable within five years	(24)	(433)
	Other finance charges:		
	Expected return on pension scheme assets	106,629	96,400
	Interest on pension scheme liabilities	(88,433)	(81,189)
	Net return on pension scheme (see note 19)	18,196	15,211
	Net investment income from financing activities	32,741	23,093
7.	EMPLOYEE COSTS	2005	2004
		\$000	Restated \$000
	Salaries	377,083	286,330
	Social security costs	38,055	29,870
	Other pension costs:		
	Amounts within operating profit	47,310	41,602
	Amounts included as other finance income	(18,196)	(15,211)
	Amounts recognised in statement of total recognised gains and losses	(29,019)	86,979
		415,233	429,570
	Amounts borne by fellow subsidiary undertakings	(74,618)	(62,077)
	Total employee costs	340,615	367,493

Employee costs have been restated to reflect that Willis Limited is the main employing company for the Group in the United Kingdom, and to disclose the gross employee costs to which it is contractually bound.

A number of the Company's employees are seconded to other subsidiary undertakings within the Willis Group. The employment costs of those employees, including salaries, social security and pension costs, are borne and accounted for by those subsidiary undertakings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

7.	EMPLOYEE COSTS (continued)	2005 Number	2004 Number
	Number of employees - average for the year	3,633	3,345
8.	DIRECTORS' REMUNERATION	2005 \$000	2004 \$000
	Emoluments, (excluding pension contributions and long term incentive awards)	8,405	5,867
	Benefits	177	173
	Pension contributions	1,071	1,190
		9,653	7,230
	Highest paid Director:		
	Emoluments (excluding pension contributions and long term incentive award)	1,527	1,132
	Accrued annual pension	221	185
		2005 Number	2004 Number
	Directors exercising share options	6	12
	Directors receiving shares under Long Term Incentive Plans	-	-
	Directors eligible for defined benefit pension schemes	12	13
9.	TAX ON PROFIT ON ORDINARY ACTIVITIES	2005	2004 Restated
(a)	Analysis of charge for the year	\$000	\$000
	Current tax:		
	UK corporation tax on profits at 30% (2004: 30%)	22,689	23,885
	UK corporation tax overprovided in previous years	(1,356)	-
		21,333	23,885
	Foreign tax on profits for the year	2	-
	Total current tax (note 9(b))	21,335	23,885
	Deferred tax (credit)/charge:		
	Origination and reversal of timing differences	(3,282)	(7,998)
	Total deferred tax charge/(credit)	(3,282)	(7,998)
	Tax on profit on ordinary activities	18,053	15,887

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

9. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

	2005	2004 Restated
	\$000	\$000
(b) Factors affecting tax charge for the year		
The tax assessed for the year is lower than the standard rate of corporation in the UK (30%). The differences are explained below:		
Profit on ordinary activities before tax	143,218	243,244
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	42,965	72,973
Effects of:		
Tax benefit of stock options exercised	(17,356)	(50,477)
Expenses not deductible for tax purposes (primarily goodwill amortisation)	6,012	4,724
Timing differences on general provisions	(1,496)	1,083
Permanent timing difference on pension contributions	(9,263)	(9,399)
Timing difference on pension contributions	4,778	6,915
Utilisation of group relief for nil consideration	(1,660)	(1,599)
Inter-group dividends which are non taxable	-	(117)
Intra-group profit on disposal of subsidiary	(1,248)	-
Tax overprovided in previous years	(1,356)	-
Tax free interest received from Tax Authority	-	(197)
Tax on overseas earnings	2	-
Other including effects of exchange rates	(43)	(21)
Current tax charge for the year (note 9(a))	21,335	23,885

(c) Circumstances affecting current and future tax charges

In line with the stated accounting policy, the Company's future tax charges will continue to recognise deferred tax assets which have arisen from timing differences relating to the taxation of provisions.

Pension scheme contributions

The Company makes contributions to both defined benefit pension schemes and defined contribution schemes for its employees and former employees, and these are being accounted for under FRS17. The timing for the current tax deduction available for contributions paid into the schemes is dependant upon United Kingdom tax laws and may differ from the pension scheme expense recognised in the Profit & loss account.

Employee share schemes

The Company's employees participate in a number of option and share based compensation schemes. Following changes in the UK tax legislation introduced in 2003, the Company expects to continue recognising tax benefits in future periods related to the compensation cost attributable to the exercising of certain types of share options and the vesting of certain shares by the employees. The tax benefit will be dependent on the share price of Willis Group Holdings Limited, the Company's ultimate parent company, at the time the options are exercised or the shares vest and will constitute a permanent difference.

10. INTANGIBLE ASSETS - Goodwill	2005	2004
	\$000	\$000
Cost:		
1 January	196,384	137,514
Additions	4,190	58,870
Other	(6,367)	-
31 December	194,207	196,384
Amortisation:		
1 January	28,181	21,200
Provided in the year	12,938	6,981
31 December	41,119	28,181
Net book value 31 December	153,088	168,203

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

10. INTANGIBLE ASSETS - Goodwill (continued)

On 1 April 2005 the Company acquired the business and trade of CR King & Partners Limited from Willis Faber Limited for \$4,125,000 (£2,182,534.50). The assets acquired were:

	Cost and fair value
	\$000
Fixed assets	27
Debtors	1,309
Cash	615
Creditors	(1,671)
Net assets	280
Goodwill arising on acquisition	3,845
Consideration	4,125

In 2004 the Company acquired a number of companies. Goodwill adjustments to these prior year acquisitions are detailed below:

	C.H. Jeffries (Insurance Broker) Ltd	Coyle Hamilton Insurance Brokers Ltd	Coyle Hamilton Northern Ireland Ltd	Opus Holdings Ltd (and its subsidiaries)	Total
	Goodwill \$000	Goodwill \$000	Goodwill \$000	Goodwill \$000	Goodwill \$000
31 December 2004	8,438	3,322	1,500	45,609	58,869
31 December 2005	7,457	2,456	1,592	40,997	52,502
Adjustment	(981)	(866)	92	(4,612)	(6,367)

These acquisitions took place in the final quarter of 2004. The adjustments to goodwill for 2004 reflect the refinement of estimates made at that time in accordance with accounting standards.

11. INVESTMENTS HELD AS FIXED ASSETS

	Subsidiary undertakings' shares (see note 12) \$000
Cost:	
1 January 2005	1,778
Other movements	(3)
31 December 2005	1,775
Amounts provided:	
1 January 2005 and 31 December 2005	23
Net book value:	
31 December 2005	1,752
31 December 2004	1,755

The provision is in respect of the Company's investment in Claims and Recovery Services Limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

12. SHARES IN SUBSIDIARY UNDERTAKINGS

The principal subsidiary undertakings at 31 December 2005 were:

	Class of Share	Percentage of share capital held
INSURANCE BROKING		
Special Contingency Risks Limited	Ordinary of £1 each	100%
Willis CIS Insurance Broker LLC (incorporated in Russia)	Common shares of 10,000 roubles each	100%
Willis Corretaje de Reaseguros S.A. (incorporated in Venezuela)	Common shares of Bs 1,000 each	100%

All subsidiary undertakings were incorporated in Great Britain except where stated. The Company disposed of its interests in Willis Corretaje de Reaseguros S.A. on 3 January 2006 and in Willis CIS Insurance Broker LLC on 7 March 2006.

The Company is exempt from the obligation to prepare Group accounts in accordance with Section 228 of the Companies Act 1985 (as amended) as the Company is ultimately a wholly-owned subsidiary of TA I Limited, in whose accounts it is consolidated. These accounts relate to the Company only and not to its Group.

In the opinion of the Directors, the value of the shares in the subsidiary undertakings is not less than the amount shown in the Balance Sheet.

13. DEBTORS

	2005	2004 Restated
	\$000	\$000
Due within one year:		
Trade debtors	3,509,471	3,314,017
Amounts owed by group undertakings	790,245	784,355
Amounts owed by associated undertakings	4,297	1,958
Corporation tax	4,065	-
Prepayments and accrued income	29,572	60,954
Other debtors	2,115	13,107
	<u>4,339,765</u>	<u>4,174,391</u>
Due after more than one year:		
Trade debtors	17,533	7,927
Deferred tax asset (note 14)	13,160	5,003
	<u>4,370,458</u>	<u>4,187,321</u>

The level of insurance broking debtors is not an indication of credit risk because the position of the insurance broker as agent means that generally the credit risk is borne by the principals. Nor is it an indication of future cash flows as it is normal practice for insurance brokers to settle accounts with clients, insurers, other intermediaries and market settlement bureaux on a net basis. The simultaneous recording of an insurance broking transaction between client and insurer results in a high level of correlation between insurance broking debtors and creditors.

14. DEFERRED TAX

	2005	2004 Restated
	\$000	\$000
The deferred tax included in the balance sheet is as follows:		
Included in debtors (note 13)	<u>13,160</u>	<u>5,003</u>
Deferred tax consists of:		
Timing difference on pension contributions	10,320	-
Timing differences on general provisions	2,840	5,003
	<u>13,160</u>	<u>5,003</u>
At 1 January	5,003	3,655
Deferred tax (charge)/credit in profit and loss account (note 9(a))	(1,496)	1,083
Deferred tax credit in statement of recognised gains and losses	10,320	-
Acquisition of business	(146)	-
Exchange adjustment	(521)	265
At 31 December	<u>13,160</u>	<u>5,003</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

15.	INVESTMENTS HELD AS CURRENT ASSETS	2005 \$000	2004 \$000	
	Unlisted investments	86	122	
16.	CREDITORS: amounts falling due within one year	2005 \$000	2004 Restated \$000	
	Bank overdraft	3	-	
	Trade creditors	4,550,591	4,448,517	
	Amounts owed to group undertakings	208,447	213,510	
	Amounts owed to associated undertakings	2,668	12,055	
	Corporation tax	-	5,079	
	Accruals and deferred income	94,160	68,849	
	Other creditors	2,508	341	
		4,858,377	4,748,351	
17.	CREDITORS: amounts falling due after more than one year	2005 \$000	2004 \$000	
	Trade creditors	3,952	1,714	
	Accruals and deferred income	1,483	1,991	
		5,435	3,705	
18.	PROVISIONS FOR LIABILITIES AND CHARGES	Redundancy provision \$000	Errors and omissions \$000	Total \$000
	1 January 2005	362	23,246	23,608
	Exchange adjustments	(37)	(2,422)	(2,459)
	Profit and loss account movements	1,405	4,583	5,988
	Used in the year	(887)	(3,204)	(4,091)
	Provided/paid by group captive insurer	-	1,754	1,754
	31 December 2005	843	23,957	24,800

Redundancy provision:

Provision has been made for redundancies. All staff involved have been notified.

Errors and omissions provision:

The provision comprises estimates for liabilities that may arise from actual and potential claims for errors and omissions. In respect of movements arising during the year, \$1,170,579 was recoverable by the Willis Group's captive insurer. At 31 December 2005, included in amounts owed by group undertakings in note 13, is the total amount recoverable from the Willis Group's captive insurer of \$17,854,864 (2004: \$17,973,804).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

19. PENSION LIABILITY

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 TAI Limited. A full actuarial valuation was carried out at 31 December 2004 and updated to 31 December 2005 by a qualified actuary. The major assumptions used for the actuarial valuation were:

	2005	2004	2003
	%	%	%
Rate of increase in salaries	3.6	3.7	3.6
Rate of increase in pensions in payment	3.0	3.0	3.0
Discount rate	4.9	5.3	5.5
Inflation assumption	2.6	2.7	2.6

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at each balance sheet date were:

	2005	2005	2004	2004	2003	2003
	\$000	%	\$000	%	\$000	%
Equities	1,269,188	7.9	1,138,291	7.9	965,526	7.9
Bonds	172,516	4.9	201,984	5.3	166,649	5.5
Gilts	86,000	4.5	55,872	4.5	73,032	4.8
Property	94,772	6.2	86,784	6.2	70,884	6.4
Other	48,160	4.5	55,872	4.5	35,084	4.6
Total fair value of assets	1,670,636		1,538,803		1,311,175	
Present value of scheme liabilities	(1,817,548)		(1,763,508)		(1,450,028)	
Deficit in the scheme	(146,912)		(224,705)		(138,853)	
Related deferred tax asset	44,074		67,450		41,656	
Net pension liability	(102,838)		(157,255)		(97,197)	

The contribution for 2005 was £20,000,000 (\$34,400,000) with an additional contribution made by the Company of £20,000,000 (\$34,400,000). The Company has agreed with the Trustee of the UK Pension Scheme that contributions for 2006 will be £125,000,000 and for each of the following two years will be £75,000,000.

The scheme is closed to new members from 1 January 2006. During the year the Company did not operate a defined contribution scheme. The Company will operate both a defined benefit scheme for existing members and a defined contribution scheme from that date.

Movement in scheme deficit during the year:

	2005	2004
	\$000	\$000
At 1 January	(224,255)	(139,000)
Current service cost	(54,770)	(46,367)
Contributions	80,972	36,104
Net finance charges	18,196	15,211
Actuarial gain/(loss)	13,101	(77,340)
Exchange and other adjustments	19,868	(12,863)
At 31 December	(146,888)	(224,255)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

19. PENSION LIABILITY (continued)

History of experience of gains and losses:

	2005	2004	2003	2002
Difference between the expected and actual return on scheme assets:				
Amount (\$000)	184,143	57,913	103,000	(253,000)
Percentage of scheme assets	11%	4%	8%	25%
Experience gains and losses on scheme liabilities:				
Amount (\$000)	14,557	(3,116)	(11,000)	(39,000)
Percentage of the present value of the scheme liabilities	1%	-	1%	3%
Total actuarial loss in the statement of total recognised gains and losses:				
Amount(\$000)	13,101	(77,341)	43,000	340,000
Percentage of the present value of scheme liabilities:	1%	4%	3%	29%

20. CALLED UP SHARE CAPITAL

	2005 \$000	2004 \$000
Authorised, allotted, issued and fully paid: 105 million (2004: 105 million) ordinary shares of £1 each	152,557	152,557

21. PROFIT AND LOSS ACCOUNT

	2005 \$000	2004 Restated \$000
1 January (as previously stated)	292,032	364,132
Prior year adjustment for FRS17 Pension obligations	-	(97,197)
1 January (restated)	292,032	266,935
Currency translation movements	-	26
Retained profit for the year	34,165	97,357
Actuarial gain/(loss) relating to the pension scheme (net of deferred tax)	18,008	(72,286)
31 December	344,205	292,032
NET PENSION LIABILITY		
Profit and loss reserve excluding pension liability	447,043	449,287
Amount relating to defined benefit pension scheme liability, net of related deferred tax	(102,838)	(157,255)
Profit and loss reserve	344,205	292,032

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

22. FORWARD SALE OF CURRENCY

Most of the Company's revenue is earned in currencies other than UK pounds (GBP), but its cost base is mainly in UK pounds. At 31 December 2005 the Company had entered into forward contracts for the sales of foreign currencies in which it has significant income. These forward contracts are summarised below:

Contracts maturing between:	US Dollars (millions/average rate to GBP)	Euros (millions/average rate to GBP)	Japanese Yen (millions/average rate to GBP)
1 January 2006 to 31 December 2006	87.7 / 1.692	40.3 / 1.402	1,416.3 / 174.5
1 January 2007 to 31 December 2007	44.0 / 1.761	20.7 / 1.377	788.0 / 173.3
1 January 2008 to 31 December 2008	8.6 / 1.727	3.5 / 1.368	220.0 / 173.6

The fair value of the forward contracts is \$5,100,000 (2004: \$18,000,000).

23. CONTINGENT LIABILITIES

The Company has given guarantees and indemnities to bankers and other third parties amounting to \$129,690 (2004: \$121,832).

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

Most of the claims, lawsuits and other proceedings arising in the ordinary course of business are covered by professional indemnity or other appropriate insurance. The terms of this insurance vary by policy year, and in respect of self-insured deductibles the Company has established provisions against these items which are believed to be adequate in the light of current information and legal advice and the Company adjusts such provisions from time to time according to developments. On the basis of current information the Company does not expect that the outcome of the actual claims, lawsuits and other proceedings to which the Company is subject, or potential claims, lawsuits or other proceedings relating to matters of which the Company is aware, will ultimately have a material adverse effect on the Company's financial condition, results of operations or liquidity. However some of those claims, lawsuits or other proceedings seek damages in amounts which, if assessed, may be significant.

24. DIRECTORS' INTERESTS IN CONTRACTS

MDT Faber, who held office during the year, was an Underwriting Members of Lloyd's.

The Company and other insurance broking subsidiary undertakings of Willis Group Holdings Limited place risks with syndicates in which these Directors participate in the normal course of their broking activities on the same basis as they do with other Lloyd's syndicates.

25. RELATED PARTY TRANSACTIONS

FRS8 exempts the reporting of transactions between Group companies in the accounts of companies 90% or more of whose voting rights are controlled within the Group. The Company has taken advantage of this exemption. There are no other transactions requiring disclosure.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

26. RESTATEMENT OF COMPARATIVES

The Company adopted FRS17 ("Retirement benefits") for the first time in these Financial Statements. The impact of this change is that the Profit and Loss account, Balance Sheet and Statement of Total Recognised Gains and Losses are affected.

The effects of adoption of FRS17 on current and prior years is summarised below:

	2005 \$'000	2005 Pre adoption of FRS17 \$'000	Effect of adoption of FRS17 \$'000
Profit and loss account:			
Operating expenses	(676,762)	(666,118)	(10,644)
Net investment income from financing activities	32,741		18,196
Tax	(18,053)	(25,051)	6,998
Profit for the period	125,165	110,615	14,550
Balance sheet:			
Debtors	4,360,138	4,357,917	2,221
Pension scheme liability	(102,838)	-	(102,838)
Net (liabilities)/assets	486,442	621,459	(135,017)
Profit and loss account	333,885	468,602	(135,017)
Ordinary share capital	152,557	152,557	-
Equity shareholders' funds	486,442	621,459	(135,017)
Statement of total recognised gains and losses:			
Profit for the financial year	125,165	110,615	14,550
FRS17 Retirement benefits adjustments	28,979	-	28,979
Deferred tax on FRS17 adjustments	(21,291)	-	(21,291)
Total recognised gains and losses for the financial year	132,853	110,615	22,238
	2004 Restated \$'000	2004 As originally stated \$'000	Effect of Restatement \$'000
Profit and loss account:			
Operating expenses	(561,494)	(551,595)	(9,899)
Net investment income from financing activities	23,093	7,882	15,211
Tax	(15,887)	(23,693)	7,806
Profit for the period	227,357	214,239	13,118
Balance sheet:			
Creditors: amounts falling due within one year	(4,748,351)	(4,749,241)	890
Pension scheme liability	(157,255)	-	(157,255)
Net (liabilities)/assets	444,589	600,954	(156,365)
Profit and loss account	292,032	448,397	(156,365)
Ordinary share capital	152,557	152,557	-
Equity shareholders' funds	444,589	600,954	(156,365)
Statement of total recognised gains and losses:			
Profit for the financial year	227,357	214,239	13,118
Currency translation movements	26	26	-
FRS17 Retirement benefits adjustments	(86,979)	-	(86,979)
Deferred tax on FRS17 adjustments	14,693	-	14,693
Total recognised gains and losses for the financial year	155,097	214,265	(59,168)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

26. RESTATEMENT OF COMPARATIVES (continued)

Net assets have been reduced by \$102,838,000, which is the amount of the liability to pay pensions at 31 December 2005 (2004 - \$157,255,000).