WILLIS LIMITED

(Registered No 181116)

DIRECTORS REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

DIRECTORS

DB Margrett (Chairman and Chief Executive)
TA Bartleet (appointed 5 January 2006)
MP Chitty (appointed 1 April 2007)
I Gale (appointed 1 April 2007)
ACA Gribben
CM London
SG Maycock
GJ Millwater
IV Pocock
PC Regan (appointed 2 February 2006)
MR Rendle (non-executive)
D Samengo-Turner (appointed 5 January 2006)

SECRETARY

SK Bryant

REGISTERED OFFICE

Ten Trinity Square
London EC3P 3AX

AUDITORS

Deloitte & Touche LLP
London

DIRECTORS REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

The Directors present their annual report, together with the audited financial statements, for the year ended 31 December 2006

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

Willis Limited ("the Company") is a Lloyd's broker engaged in international insurance and reinsurance broking and is authorised with the Financial Services Authority ("FSA") for its insurance mediation activities

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 2006, the Company announced its "Shaping Our Future" strategy which aims, among other things, to deliver strong revenue and profit growth by

- Enhancing the Company's sales process and fully implementing its Client Advocacy programme,
- Creating the optimal platform by enhancing the Company's service model, processes and technology,
- Truly becoming the employer of choice by creating a reward and recognition framework that recognises teamwork, and
- Attaining the Company's financial goals by focusing on client profitability

There have not been any significant changes in the Company's principal activities in the year under review 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

The Company continued to maintain its leadership position in many areas of the insurance broking sector and, as shown in the profit and loss account on page 6, brokerage and fees increased by 6% from the prior year, whilst operating expenses also increased by 6% due to a combination of foreign exchange movements and investments in business change initiatives under the Company's "Shaping Our Future" programme The Company remains focussed on its targets of growing its revenue at a rate in excess of its peers whilst maintaining or expanding its margin over time Profit on ordinary activities after taxation amounted to $126m (2005 $131m), of which $126m (2005 $40m) has been carried to reserves

No interim dividend was paid in 2006 (2005 $91m was paid on 8 August 2005) The Directors do not recommend the payment of a final dividend in 2006 (2005 $nil) The Directors paid an interim dividend of $50m on 23 July 2007

The balance sheet on page 7 of the financial statements shows the Company's financial position at the year end Net assets including pension assets were $694m at 31 December 2006, $200 million or 40% higher than at 31 December 2005 This increase was mainly attributable to the Company's defined benefit pension scheme which moved from a net liability of $103m at 31 December 2005 to a net asset of $148m at 31 December 2006 This change reflected improved asset returns and the $273m contributed to the scheme during 2006

The Company has adopted the requirements of accounting standard FRS20 (IFRS2), "Share-based Payment" for the first time in these financial statements As a consequence, the financial statements for 2005 have been restated Details of the effect of these changes are given in note 25

The Company is a subsidiary of Willis Group Holdings Limited ("the Willis Group") which 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 Global and International divisions of the Willis Group, which include substantially all of the Company's results, is discussed in the financial statements of Willis Group Holdings Limited which do not form part of this report

PRINCIPAL RISKS AND UNCERTAINTIES

Competitive pressure in the UK is a continuing risk for the Company, which could result in it losing brokerage and fees to its key competitors The Company manages this risk by delivering value to clients, creating the most appropriate fee structure, enhancing the sales process and fully implementing a Client Advocacy program

The Company is subject to insurance industry regulation from the FSA If it fails to comply with regulatory requirements it may not be able to conduct its business The Company manages this risk by internal control procedures It also prepares quarterly and annual returns to the FSA that are monitored and reviewed

The Company earns brokerage and fees in a number of different currencies However the Company's cost base is predominantly in pounds sterling This mismatch creates currency exposures which are hedged as follows

- To the extent that forecast pound sterling expenses exceed pound sterling revenues, the exposure to this exchange rate risk is limited by the use of forward contracts matched to specific, clearly identified cash outflows arising in the ordinary course of business, and

- To the extent that significant revenues are earned in Euros and Japanese Yen, the Company limits its exposure to changes in the exchange rate between the US dollar and these currencies by the use of forward contracts matched to a percentage of forecast cash inflows in specific currencies and periods

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

At 31 December 2006, the estimated fair value of the Company's forward exchange contracts for the sale of foreign currencies was \$18m (2005 \$5m) These forward exchange contracts are summarised in note 21 At the end of February 2007, the Company unwound all of its forward exchange contracts that had yet to mature

Group risks are discussed in the financial statements of Willis Group Holdings Limited which do not form part of this report

ENVIRONMENT

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

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

Details of the number of employees and related costs can be found in note 7 to the financial statements on page 12

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

The following, who served as Directors during the year, resigned with effect from the dates against their respective names

Name	*Date of Resignation*
GM Bessis	22 May 2006
WP Bowden, Jr	10 February 2006
RJS Bucknall	31 March 2007
CN Clark	6 January 2006
T Colraine	31 December 2006
RH Gayner	31 March 2007
JJ Scampas	31 March 2007

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

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing their annual report and the financial statements in accordance with applicable law and regulations for each financial year 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) The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of its profit or loss 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 estimates that are reasonable and prudent,
- state whether applicable United Kingdom accounting standards have been followed, 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985 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 AUDITORS

Each current Director of the Company confirms that

- so far as he is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware, and
- he has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

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

SR Bryant
Secretary

12th October 2007
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 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the reconciliation of movements in shareholders' funds, and the related notes numbered 1 to 27 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the Companys 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 Companys 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 Companys members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors'' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant 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 and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions is not disclosed

We read the Directors report and consider the implications for our report if we become aware of any apparent misstatements within it

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 Companys affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
United Kingdom
22 October 2007

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 $millions	2005 $millions Restated (Note 25)
Brokerage and fees	3	788	745
Interest and investment income	4	46	42
OPERATING REVENUE		834	787
Operating expenses		718	668
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE FINANCING ACTIVITIES AND TAXATION	5	116	119
NET INVESTMENT INCOME FROM FINANCING ACTIVITIES	6	70	33
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		186	152
Tax on profit on ordinary activities	9	60	21
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		126	131

All activities derive from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 $millions	2005 $millions Restated (Note 25)
Profit on ordinary activities after taxation	126	131
Actuarial gain relating to the pension scheme (note 18)	95	13
UK deferred tax attributable to actuarial gain and additional pension contribution	(52)	(11)
UK current tax benefit on additional pension contribution	24	-
Total recognised gains and losses for the financial year	193	133
Prior period adjustment (as explained in note 25)	(3)	
Total recognised gains and losses since the last annual report	190	

WILLIS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2006

	Note	2006 $millions	2005 $millions Restated (Note 25)
FIXED ASSETS			
Intangible assets-goodwill	10	140	153
Investments	11	2	2
		142	155
CURRENT ASSETS			
Debtors	13	4,836	4,369
Deposits and cash		1,016	963
		5,852	5,332
CURRENT LIABILITIES			
CREDITORS amounts falling due within one year	15	5,413	4,860
NET CURRENT ASSETS		439	472
TOTAL ASSETS LESS CURRENT LIABILITIES		581	627
CREDITORS amounts falling due after more than one year	16	15	5
PROVISION FOR LIABILITIES AND CHARGES	17	20	25
NET ASSETS EXCLUDING PENSION ASSET/(LIABILITY)		546	597
PENSION ASSET/(LIABILITY)	18	148	(103)
NET ASSETS INCLUDING PENSION ASSET/(LIABILITY)		694	494
CAPITAL AND RESERVES			
Called up share capital	19	153	153
Profit and loss account	20	541	341
EQUITY SHAREHOLDERS' FUNDS		694	494

The financial statements were approved on 12th October 2007

Signed on behalf of the Board of Directors

DB Margrett
Director

MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 $millions	2005 $millions Restated (Note 25)
Profit on ordinary activities after taxation	126	131
Dividends paid	-	(91)
Profit for the financial year	126	40
Actual return less expected return on pension scheme assets	(2)	184
Experience gains arising on pension scheme liabilities	-	15
Changes in assumptions underlying the present value of pension scheme liabilities	97	(186)
UK deferred tax attributable to actuarial gain and additional pension contribution	(52)	(11)
UK current tax benefit on additional pension contribution	24	-
Share-based payments (note 7 & note 26)	7	7
	74	9
Total recognised gains for the financial year	200	49
Net movement in shareholders funds for the year	200	49
Shareholders' funds at 1 January (as previously stated)	497	445
Prior year FRS 20 adjustment (as explained in Note 25)	(3)	-
Restated Shareholders' funds at 1 January	494	445
Shareholders' funds at 31 December	694	494

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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

The results of the Company are only consolidated by Willis Group Holdings Limited

The Company is exempt from the obligation to prepare and deliver Group financial statements in accordance with Section 228 of the Companies Act 1985 (as amended) as the Company is a wholly-owned subsidiary of Willis Group Holdings Limited, in whose financial statements it is consolidated These consolidated financial statements 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

(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 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 tax rates and laws that have been enacted or substantially enacted by the balance sheet date 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 2006 (continued)

2 ACCOUNTING POLICIES (continued)

(g) Pensions

The Company participates in both a group defined benefit pension scheme and a group defined contribution scheme

Defined Benefit Scheme
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 charges or income 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

Defined Contribution Scheme
The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in 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) Share-based payment
The Company has adopted the requirements of FRS20 (IFRS 2) "Share-based Payment" for the first time in these Financial Statements Consequently, the Company has restated comparative information for the year ended 31 December 2005 and adjusted retained earnings at 1 January 2005 Details of the effect of these changes are given in note 25

FRS20 may only be retrospectively applied to equity instruments issued before 7 November 2002, if the fair value of those instruments on the measurement date has previously been publicly disclosed Willis Group Holdings Limited, the ultimate parent company of Willis Limited, reports under accounting principles generally accepted in the United States of America ('US GAAP') Under US GAAP, the Group has publicly disclosed the fair value of all equity instruments granted in accordance with the provisions of Financial Accounting Standard No 123R, "Share-based Payment" Consequently, FRS20 has been applied to all equity instruments granted before and after 7 November 2002

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

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

	2006 $millions	2005 $millions
United Kingdom	363	355
North America	132	117
Rest of the World	293	273
	788	745

4 INTEREST AND INVESTMENT INCOME

	2006 $millions	2005 $millions
Investment income	46	42

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 which is reported under net investment income from financing activities, details of which are shown in note 6

5 OPERATING PROFIT

	2006 $millions	2005 $millions
Operating profit is stated after (crediting)/charging		
Decrease in general bad debts	-	(5)
Amortisation of goodwill	13	13
Current service cost of pension scheme	51	47
Included within operating expenses is a recharge of Auditors remuneration borne by a fellow subsidiary undertaking, as follows		
Auditors' remuneration		
Audit fees – UK	1	1

6 NET INVESTMENT INCOME FROM FINANCING ACTIVITIES

	2006 $millions	2005 $millions
Investment income		
Interest receivable from group undertakings	21	15
Other finance income/(charges)		
Expected return on pension scheme assets	144	106
Interest on pension scheme liabilities	(95)	(88)
Net return on pension scheme (see note 18)	49	18
Net investment income from financing activities	70	33

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

7 EMPLOYEE COSTS

	2006 $millions	2005 $millions Restated (Note 25)
Salaries	367	384
Social security costs	30	38
Other pension costs		
Amounts within operating profit	52	47
Amounts included as other finance income	(49)	(18)
Amounts recognised in statement of total recognised gains and losses	(95)	(13)
	305	438
Amounts borne by fellow subsidiary undertakings	(83)	(74)
Total employee costs	222	364

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

	2006 Number	2005 Number
Number of employees - average for the year	3,574	3,633

The Company recognised total expense in 2006 of $7m (2005 $7m) related to equity-settled share-based payment transactions to employees

8 DIRECTORS' REMUNERATION

	2006 $millions	2005 $millions
Emoluments, (excluding pension contributions and long term incentive awards)	7	9
Benefits	-	-
Pension contributions	1	1
	8	10
Highest paid Director		
Emoluments (excluding pension contributions and long term incentive award)	1	2
Accrued annual pension	-	-

	2006 Number	2005 Number
Directors exercising share options	6	6
Directors receiving shares under Long Term Incentive Plans	-	-
Directors eligible for defined benefit pension schemes	15	12

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge for the year	2006 $millions	2005 $millions Restated (Note 25)
Current tax		
UK corporation tax on profits at 30% (2005 30%)	39	25
UK corporation tax overprovided in previous years	(2)	(1)
Total current tax (note 9(b))	37	24
Deferred tax charge/(credit)		
Origination and reversal of timing differences	23	(3)
Total deferred tax charge/(credit)	23	(3)
Tax on profit on ordinary activities	60	21

The tax assessed for the year is higher than the standard rate of corporation in the UK (30%) The differences are explained below

(b) Factors affecting tax charge for the year	2006 $millions	2005 $millions Restated (Note 25)
The tax assessed for the year is higher than the standard rate of corporation in the UK (30%) The differences are explained below		
Profit on ordinary activities before tax	186	152
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	56	46
Effects of		
Permanent difference on employee share benefit scheme	(4)	(12)
Timing difference on employee share benefit scheme	1	(1)
Expenses not deductible for tax purposes (primarily goodwill amortisation)	9	6
Timing differences on general provisions	1	(1)
Permanent difference on pension contributions	2	(9)
Timing difference on pension contributions	(25)	5
Utilisation of group relief for nil consideration	(2)	(2)
Intra-group profit on disposal of subsidiary	-	(1)
Tax overprovided in previous years	(2)	(1)
Other including effects of exchange rates	1	(6)
Current tax charge for the year (note 9(a))	37	24

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

9 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(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 dependent upon United Kingdom tax laws and may differ from the pension scheme expense recognised in the profit and loss account

Employee share schemes

The Company's employees participate in a number of option and share based compensation schemes which are now accounted for under FRS 20 and the Company expects to recognise tax benefits for the compensation cost that may be attributable to those schemes The eventual tax benefit will be dependent on the share price of Willis Group Holdings Limited, the Company's ultimate parent company, at the time options are exercised or shares vest and hence may give rise to permanent differences

Impact of Rate Change

The HM Treasury announced that the UK corporation tax rate will change to 28% as from 1 April 2008 and this change has now been enacted This change will have an impact on deferred tax and could reduce deferred tax liabilities on the net pension scheme assets by $4 5m and reduce other net deferred tax assets by $2 2m

10 INTANGIBLE ASSETS - GOODWILL

	2006 $millions	2005 $millions
Cost		
1 January	194	196
Additions	-	4
Other	-	(6)
31 December	194	194
Amortisation		
1 January	41	28
Provided in the year	13	13
31 December	54	41
Net book value 31 December	140	153

11 INVESTMENTS HELD AS FIXED ASSETS

	Subsidiary undertakings' shares (see note 12) $millions
Cost	
1 January 2006 and 31 December 2006	2
Amounts provided	
1 January 2006 and 31 December 2006	-
Net book value	
31 December 2006 and 2005	2

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

12 SHARES IN SUBSIDIARY UNDERTAKINGS

The principal subsidiary undertaking at 31 December 2006 was

	Class of Share	Percentage of share capital held
INSURANCE BROKING		
Special Contingency Risks Limited (incorporated in Great Britain)	Ordinary of £1 each	100%

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 Willis Group Holdings 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	2006 $millions	2005 $millions Restated (Note 25)
Due within one year		
Trade debtors	3,693	3,510
Amounts owed by group undertakings	986	790
Amounts owed by associated undertakings	24	4
Corporation tax	20	-
Prepayments and accrued income	42	30
Other debtors	2	2
	4,767	4,336
Due after more than one year		
Trade debtors	15	17
Deferred tax asset (note 14)	54	16
	4,836	4,369

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	2006 $millions	2005 $millions Restated (Note 25)
(a) The deferred tax included in the balance sheet is as follows		
Included in debtors (note 13)	54	16
Deferred tax consists of		
Timing difference on pension contributions	47	10
Timing differences on share-based payments	4	3
Timing differences on general provisions	3	3
	54	16
At 1 January	16	5
Prior period adjustment for FRS20	-	3
Deferred tax credit/(charge) in profit and loss account (note 9(a))	1	(2)
Deferred tax credit on spreading of pension contributions	37	10
Other	(2)	-
Exchange adjustment	2	-
At 31 December	54	16

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

14 DEFERRED TAX (continued)

(b) Impact of UK tax rate change on deferred tax

The Finance Bill which received Royal Assent on 19 July 2007 changes the UK Corporation Tax rate from 30% down to 28% as from 28th April 2008 The following table illustrates the impact of this change on the deferred tax balances as at 31 December 2006

	Tax rate 30%	Tax rate 28%	Effect of rate change
	$millions	$millions	$millions
Deferred tax consists of			
Timing difference on pension contributions	47	45	(2)
Timing differences on share-based payments	4	4	-
Timing differences on general provisions	3	3	-
	54	52	(2)
Pension Scheme Liability (see note 18)	63	59	(4)

15 CREDITORS amounts falling due within one year

	2006 $millions	2005 $millions Restated (Note 25)
Trade creditors	4,845	4,551
Amounts owed to group undertakings	434	208
Amounts owed to associated undertakings	2	3
Corporation tax	-	2
Accruals and deferred income	115	94
Other creditors	17	2
	5,413	4,860

16 CREDITORS amounts falling due after more than one year

	2006 $millions	2005 $millions
Trade creditors	14	4
Accruals and deferred income	1	1
	15	5

17 PROVISION FOR LIABILITIES AND CHARGES

	Redundancy provision $millions	Errors and omissions $millions	Total $millions
1 January 2006	1	24	25
Exchange adjustments	-	3	3
Profit and loss account movements	5	2	7
Used in the year	-	(5)	(5)
Provided/paid by group captive insurer	-	(10)	(10)
31 December 2006	6	14	20

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 At 31 December 2006, included in amounts owed by group undertakings in note 13, is the total amount recoverable from the Willis Group's captive insurer of $10m (2005 $18m)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

18 PENSION ASSET/(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 TA I Limited A full actuarial valuation was carried out at 31 December 2004 and updated to 31 December 2006 by a qualified actuary The major assumptions used for the actuarial valuation were

	2006 %	2005 %	2004 %
Rate of increase in salaries	3 9	3 6	3 7
Rate of increase in pensions in payment	3 0	3 0	3 0
Discount rate	5 3	4 9	5 3
Inflation assumption	2 9	2 6	2 7

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

	2006 $millions	2006 %	2005 $millions	2005 %	2004 $millions	2004 %
Equities	1,637	8 75	1,269	8 65	1,138	7 9
Bonds	272	5 3	173	4 9	202	5 3
Gilts	136	4 5	86	4 1	56	4 5
Property	124	6 3	95	6 1	87	6 2
Other	98	4 3	48	4 1	56	4 5
Total fair value of assets	2,267		1,671		1,539	
Present value of scheme liabilities	(2,056)		(1,818)		(1,764)	
Surplus/(deficit) in the scheme	211		(147)		(225)	
Related deferred tax (liability)/asset	(63)		44		67	
Net pension asset/(liability)	148		(103)		(158)	

The Company adopted FRS17 ("Retirement Benefits") in its 2005 Financial Statements and consequently recognised the net of tax $157m deficit at 1 January 2005 as a prior year adjustment in 2005

The contribution paid by the Company for 2006 was £75m ($138m) with an additional contribution made by the Company of £68m ($125m) The Company has agreed with the Trustee of the UK Pension Scheme that contributions will be £75m for 2007, and for two years thereafter, subject to the outcome of the valuation due at the end of 2007

The scheme closed to new members from 1 January 2006 During 2006 the Company operated both a defined benefit scheme for existing members and a defined contribution scheme for new members

Analysis of the amount charged to operating profit

	2006 $millions	2005 $millions
Current service cost	51	47

Analysis of the amount credited to net finance charges

	2006 $millions	2005 $millions
Expected return on pension scheme assets	144	107
Interest on pension scheme liabilities	(95)	(88)
	49	19

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

18 PENSION ASSET/(LIABILITY) continued

Analysis of the actuarial gain in the statement of total recognised gains and losses

	2006 $millions	2005 $millions
Actual return less expected return on pension scheme assets	(2)	184
Experience gains and losses arising on the scheme liabilities	-	15
Changes in assumptions underlying the present value of the scheme liabilities	97	(186)
	95	13

Movement in scheme surplus/(deficit) during the year

	2006 $millions	2005 $millions
At 1 January	(147)	(225)
Current service cost	(61)	(54)
Contributions	273	81
Net finance income	49	18
Actuarial gain	95	13
Exchange and other adjustments	2	20
At 31 December	211	(147)

History of experience of gains and losses

	2006	2005	2004	2003	2002
Difference between the expected and actual return on scheme assets					
Amount ($millions)	(2)	184	58	103	(253)
Percentage of scheme assets	-	10%	4%	9%	26%
Experience gains and losses on scheme liabilities					
Amount ($millions)	-	15	(3)	(11)	(39)
Percentage of the present value of the scheme liabilities	-	1%	-	1%	4%
Total actuarial gain/(loss) in the statement of total recognised gains and losses					
Amount ($millions)	95	13	(77)	43	340
Percentage of the present value of scheme liabilities	5%	1%	5%	3%	31%

19 CALLED UP SHARE CAPITAL

	2006 $millions	2005 $millions
Authorised, allotted, issued and fully paid 105m (2005 105m) ordinary shares of £1 each	153	153

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

20 PROFIT AND LOSS ACCOUNT

	2006 $millions	2005 $millions Restated (Note 25)
1 January (as previously stated)	344	292
Prior year adjustment for FRS20	(3)	-
1 January (restated)	341	292
Profit on ordinary activities after taxation	126	131
Dividend paid	-	(91)
Actuarial gain relating to the pension scheme (net of deferred tax)	67	2
Share-based payments	7	7
31 December	541	341

NET PENSION ASSET/(LIABILITY)

	2006	2005
Profit and loss reserve excluding pension asset/(liability)	393	444
Amount relating to defined benefit pension scheme asset/(liability), net of related deferred tax	144	(103)
Profit and loss reserve	541	341

21 FORWARD SALE OF CURRENCY

The Company earns brokerage and fees in a number of different currencies However the Company's cost base is predominantly in pounds sterling This mismatch creates currency exposures which are hedged as follows

- To the extent that forecast pound sterling expenses exceed pound sterling revenues, the exposure to this exchange rate risk is limited by the use of forward contracts matched to specific, clearly identified cash outflows arising in the ordinary course of business, and

- To the extent that significant revenues are earned in Euros and Japanese Yen, the Company limits its exposure to changes in the exchange rate between the US dollar and these currencies by the use of forward contracts matched to a percentage of forecast cash inflows in specific currencies and periods

At 31 December 2006 the Company had entered into forward contracts for the sales of foreign currencies which had a net fair value of $18m (2005 $5m) 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 2007 to 31 December 2007	69/1 759	39/1 4	1,068/181 45
1 January 2008 to 31 December 2008	26/1 744	17/1 4	220/173 58

At the end of February 2007 the Company unwound all of the contracts for the forward sale of currency that had yet to mature

22 CONTINGENT LIABILITIES

Claims, Lawsuits and Other Proceedings

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 Similar to other corporations, the Company is also subject to a variety of other claims, including those relating to the Company's employment practices Some of those claims, lawsuits and other proceedings seek damages in amounts which could, if assessed, be significant

Errors and omissions claims, lawsuits and other proceedings arising in the ordinary course of business are covered in part by professional indemnity or other appropriate insurance The terms of this insurance vary by policy year and self-insured risks have increased significantly in recent years In respect of self-insured risks, the Company has established provisions 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 actual claims, lawsuits and other proceedings, to which the Company is subject, or potential claims, lawsuits and other proceedings relating to matters of which it is aware will ultimately have a material adverse effect on the Company's financial condition, results of operations or liquidity Nonetheless, given the large or indeterminate amounts sought in certain of these actions, and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on the Company's results of operations or cash flows in particular quarterly or annual periods

Reinsurance Market Dispute

Various legal proceedings are pending, have been concluded or may commence between reinsurers, reinsureds and in some cases their intermediaries, including reinsurance brokers, relating to personal accident excess of loss reinsurance for the years 1993 to 1998 The proceedings principally concern allegations by reinsurers that they have sustained substantial losses due to an alleged abnormal "spiral" in the market in which the reinsurance contracts were placed, the existence and nature of which, as well as other information, was not disclosed to them by the reinsureds or their reinsurance broker A "spiral' is a market term for a situation in which reinsureds and reinsurers reinsure each other with the effect that the same loss or portion of that loss moves through the market multiple times

The reinsurers concerned have taken the position that, despite their decisions to underwrite risks or a group of risks, they are no longer bound by their reinsurance contracts As a result, they have stopped settling claims and are seeking to recover claims already paid The Company also understands that there have been at least two arbitration awards in relation to a spiral, among other things, in which the reinsurer successfully argued that it was no longer bound by parts of its reinsurance program The Company acted as the reinsurance broker or otherwise as intermediary, but not as an underwriter, for numerous personal accident reinsurance contracts, including two contracts that were involved in one of the arbitrations Due to the small number of reinsurance brokers generally, the Company was one of a small number of brokers active in the market for this reinsurance during the relevant period The Company also utilized other brokers active in this market as sub-agents, including brokers who are parties to the legal proceedings described above, for certain contracts and may be responsible for any errors and omissions they may have made In July 2003, one of the reinsurers received a judgment in the English High Court against certain parties, including a sub-broker the Company used to place two of the contracts involved in this trial Although the Company was not a party to this proceeding or any arbitration, the Company entered into standstill agreements with certain of the principals to the reinsurance contracts tolling the statute of limitations pending the outcome of proceedings between the reinsureds and reinsurers

Various arbitrations continue to be active and from time to time the principals request co-operation from the Company and suggest that claims may be asserted against the Company, although at this time no actions are pending against it Recently one former client of the the Company terminated its tolling agreement with the Company and has commenced litigation in the Commercial Court in London against the Company The Company will vigorously be defending such claim and believes the claim will be fully covered by errors and omissions insurance The outcome or settlement of some of the various arbitrations is pending and may also lead to litigation against the Company Claims may be made against the Company if reinsurers do not pay claims on policies issued by them It is too early to know what amount of underwriting losses will be alleged to be attributable to an abnormal spiral or the other issues that may be raised, or what amount, if any, reinsureds or reinsurers or other intermediaries may seek to recover from the Company

23 DIRECTORS' INTERESTS IN CONTRACTS

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

24 RELATED PARTY TRANSACTIONS

FRS8 exempts the reporting of transactions between Group companies in the financial statements 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

25 RESTATEMENT OF COMPARATIVES

The Company adopted FRS20 (IFRS2) ("Share-based Payment') for the first time in these financial statements As a consequence the profit and loss account for the year ended 31 December 2005 and the balance sheet at 31 December 2005 have been restated

The effects of adoption of FRS20 on current and prior years is summarised below

	2006 $millions	2006 Pre adoption of FRS20 $millions	Effect of adoption of FRS20 $millions
Profit and loss account			
Operating expenses	(718)	(711)	(7)
Tax on profit on ordinary activities	(60)	(62)	2
Profit for the financial year	126	130	(5)
Balance sheet			
Debtors due after more than one year	54	52	2
Creditors amounts falling due within one year	(5,413)	(5,413)	-
Net assets including pension asset	694	692	2
Profit and loss account	541	539	2
Equity shareholders' funds	694	692	2

	2005 Restated $millions	2005 Pre adoption of FRS20 $millions	Effect of adoption of FRS20 $millions
Profit and loss account			
Operating expenses	(668)	(661)	(7)
Tax on profit on ordinary activities	(21)	(18)	(3)
Profit for the financial year	131	141	(10)
Balance sheet			
Debtors due after more than one year	16	13	3
Debtors Corporation Tax	-	4	(4)
Creditors amounts falling due within one year	(4,860)	(4,858)	(2)
Net assets including pension liability	494	497	(3)
Profit and loss account	341	344	(3)
Equity shareholders' funds	494	497	(3)

The impact on opening reserves for 2005 is $18,000

26 SHARE-BASED PAYMENT

Share-based Plans

Willis Group Holdings Limited, the ultimate parent company of Willis Limited, has the following plans which provide for the grant of time-based options and performance-based options and various other share-based grants to employees of Willis Limited The objectives of these plans include attracting and retaining the best personnel, motivating management personnel by means of growth-related incentives to achieve long-range goals and providing employees with the opportunity to increase their share ownership in Willis Group Holdings Limited

Amended and Restated 1998 Share Purchase and Option Plan

This plan, which was established on 18 December 1998, provides for the granting of time-based and performance-based options to employees of the Group There are 30,000,000 shares available for grant under this plan provided, however, that in no event the total number of shares subject to options and other equity for current and future participants exceed 25 percent of the equity of Willis Group Holdings Limited on a fully diluted basis All options granted under this plan are exercisable at £2 per share ($3 92 using the year-end exchange rate of £1 = $1 96) No further grants are to be made under this plan

Time-based options are earned upon the fulfilment of vesting requirements which have been satisfied and all options are exercisable

Performance-based options became exercisable from 1 January 2003, following the achievement of financial targets (as defined in the plan agreements) All options are exercisable

Willis Award Plan

This plan, which was established on 13 July 2000, provides for the granting of time-based options to selected employees who have been identified as superior performers There are 5,000,000 shares available for grant under this plan provided, however, that in no event the total number of shares subject to options and other equity for current and future participants exceed 25 percent of the equity of Willis Group Holdings Limited on a fully diluted basis All options granted under this plan are exercisable at £2 per share ($3 92 using the year-end exchange rate of £1 = $1 96) The options vest immediately on the grant date and are exercisable any time up to 13 July 2010

2001 Share Purchase and Option Plan

This plan, which was established on 3 May 2001, provides for the granting of time-based options and various other share-based grants at fair market value to employees of the Group There are 25,000,000 shares available for grant under this plan Options are exercisable on a variety of dates, including from the first, second, third, sixth or eighth anniversary of grant, although for certain options the exercisable date may accelerate depending on the achievement of certain performance goals Unless terminated sooner by the Board of Directors, the 2001 Plan will expire 10 years after its adoption That termination will not affect the validity of any grant outstanding at that date

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

	2006	2005
Weighted average share price	$33 23	$33 28
Weighted average exercise price	$33 23	$33 28
Expected volatility	30%	26%
Expected dividends	2 5%	2 0%
Expected life (years)	6	4
Risk-free interest rate	5 34%	4 21%

26 SHARE-BASED PAYMENT (continued)

A summary of option activity under the plans at 31 December 2006 and 2005, and changes during the years then ended is presented below

(Options in thousands)	2006 Number of options	2006 Weighted Average Exercise Price(1)	2005 Number of options	2005 Weighted Average Exercise Price(1)
Outstanding at 1 January	5,096	\$30 30	6,756	\$23 09
Granted	3,299	\$33 23	345	\$33 28
Exercised	(438)	\$6 24	(1,745)	\$4 62
Forfeited	(562)	\$34 02	(260)	\$31 15
Expired	(106)	\$37 75	—	—
Outstanding at 31 December	7,289	\$32 68	5,096	\$29 69
Exercisable at 31 December	1,509	\$29 21	1,448	\$20 23

(1) Certain options are exercisable at £2 per share The year-end exchange rate of £1 = \$1 96 has been used as of 31 December 2006 (2005 £1=\$1 72)

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2006 was \$36 39

Details of the range of exercise prices and the weighted average contractual life of share options outstanding at 31 December, 2006 are as follows

Range of exercise prices (options in thousands)	Options outstanding	Weighted average Remaining contractual life
\$3 92(1)	319	3 years
\$13 50	114	5 years
\$23 32-\$28 25	385	6 years
\$30 75-\$36 71	4,185	7 years
\$36 94-\$41 17	2,286	7 years
	7,289	7 years

(1) Certain options are exercisable at £2 per share The year-end exchange rate of £1 = \$1 96 has been used as of 31 December 2006 (2005 £1=\$1 72)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

26 SHARE-BASED PAYMENT (continued)

A summary of restricted stock unit activity under the plans at 31 December 2006, and changes during the year then ended is presented below

(Units awarded in thousands)	Shares	Weighted Average Grant Date Fair Value
Non-vested shares (restricted stock units)		
Outstanding at 1 January 2006	—	—
Granted	334	$33 05
Vested	—	—
Forfeited	(2)	$35 19
Outstanding at 31 December 2006	332	$33 04

The Company recognised total operating expense in 2006 of $7m (2005 $7m) related to equity-settled share-based payment transactions

27 EVENTS AFTER THE BALANCE SHEET DATE

On 23 July 2007, the Directors declared an interim dividend of $50m