

WILLIS LIMITED
(Registered Number 181116)

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

Directors

DB Margrett (Chairman and Chief Executive)
MP Chitty
CM London
PC Regan
MR Rendle (non-executive)
D Samengo-Turner
SE Wood
BJ McManus
JED Vickers
AJC Rivers
Sir Jeremy Hanley (non-executive)

Secretary

SK Bryant

Registered Office

51 Lime Street
London EC3M 7DQ

Auditors

Deloitte & Touche LLP
London



DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

The Directors present their annual report, together with the audited financial statements, for the year ended 31 December 2007

Principal activities and review of developments*Business and market overview*

The Company is a leading international insurance and reinsurance broking and is authorised with the Financial Services Authority ('FSA') for its insurance mediation activities. The Company is also a Lloyd's broker.

The Company provides a broad range of services to clients in the UK and worldwide. In addition to its significant presence in the UK retail and commercial market, the Company's core specialty businesses include Aerospace, Energy, Marine, Construction, Financial and Executive Risks, Fine Art, Jewelry and Specie, Special Contingency Risks, and Reinsurance. The Company has significant market share in many of these specialty areas, in particular Aerospace and Marine.

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

Competition is intense in all the Company's business lines and in all insurance markets. Since 2004, there has been a rapid transition from a hard market, with premium rates stable or increasing, to a soft market, with premium rates falling in most markets. In 2007, the market has softened further with premium rate decreases of between 5 and 20 percent in many of the market sectors in which we operate.

In the reinsurance market, the Company has seen a combination of declining rates and a reduction in amounts reinsured. Although premium rates have declined by approximately 10 percent on average, the most significant impact on reinsurance growth has been higher retentions at the primary underwriters. The Company expects the reinsurance market to continue to soften in light of favorable loss trends and the strong reserves and returns on equity achieved by the insurance companies.

Shaping our Future

The Company continues to pursue its Shaping our Future strategy, which is a series of initiatives designed to deliver profitable growth. The Company incurred significant costs in 2006 on growth initiatives and has continued to incur further costs on these throughout 2007. Achievements to date include the delivery of a new broking system which is being rolled out across the Company's businesses, a new end-to-end process for our London market businesses and incremental revenues from the client profitability program.

Review of 2007

There have not been any significant changes in the Company's principal activities in 2007. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in 2008.

Brokerage and fees at \$801 million were \$13 million, or 2 percent, higher than in 2006 with increased revenues from the Global Specialties business and a positive impact from foreign exchange partly offset by declining revenues in Reinsurance and the UK retail business, principally reflecting the soft market conditions. The increased Global Specialties revenues reflected the benefit of one-time income from satellite launches and strong growth in Construction, especially in Global infrastructure projects, together with good performances from Energy, Financial Institutions and Niche.

Operating expenses were \$42 million, or 6 percent higher, in 2007 compared with 2006 largely due to foreign exchange, reflecting the weakening of the dollar against sterling in which the majority of the expense base is incurred, together with increased property costs relating to the Group's new headquarters building.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)*Business and market overview (continued)*

Finance income, net, in 2007 was \$42 million, or 60 percent, higher than in 2006 and included

- the benefit of a \$39 million increase in the expected return on pension assets, reflecting the significant additional cash contributions in 2006 and 2007, and
- a \$20 million dividend from a subsidiary,

partly offset by

- a \$16 million increase in interest on the pension scheme liabilities, mainly due to the increased projected benefit obligation at January 1, 2007

Profit on ordinary activities after taxation amounted to \$151 million (2006 \$126 million), of which \$101 million (2006 \$126 million) has been carried to reserves. An interim dividend of \$50 million was paid on 23 July 2007 (2006 \$nil). The Directors do not recommend the payment of a final dividend (2006 \$nil).

Balance sheet

Net assets including pension assets were \$833 million at 31 December 2007, \$139 million or 20 percent higher than at 31 December 2006. This increase was mainly attributable to the Company's defined benefit pension scheme asset which moved from a net asset of \$148 million at 31 December 2006 to a net asset of \$324 million at 31 December 2007. This change principally reflected the \$178 million contributed to the scheme during 2007. The pension contributions were funded by cash generated by operations and cash on hand at 31 December, 2006.

Principal risks and uncertainties*Competitive pressure*

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 its Client Advocacy program.

Regulatory

The Company is subject to regulation from the FSA in respect of its intermediation activities. The FSA has prescribed the methods by which our insurance and reinsurance operations are to conduct business, and they generally conduct their regulatory functions through the establishment of net worth and other financial criteria. They also require the submission of reports and have investigative and disciplinary powers. Monitoring visits are carried out to assess our compliance with regulatory requirements.

Foreign exchange

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 2007, the estimated fair value of the Company's forward exchange contracts for the sale of foreign currencies was \$10 million (2006 \$18 million). These forward exchange contracts are summarised in note 20.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)*Foreign exchange (continued)*

Group risks, including those relating to this Company, are discussed in the Group's financial statements which do not form part of this report

Credit Risk

The Company's principal financial assets are bank balances and cash, trade and other receivables

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of the provisions for bad and doubtful debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity Risk

The Company is part of the Willis Group which uses a mixture of long-term debt and short term facilities.

Environment

The 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.

Employees

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 4 to the financial statements.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)**Directors and their interests**

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

The following served as Directors during the year

DB Margrett
TA Bartleet (resigned 31 January 2007)
MP Chitty (appointed 1 April 2007)
IC Gale (appointed 1 April 2007, resigned 31 January 2008)
ACA Gribben (resigned 18 February 2008)
CM London
SG Maycock (resigned 19 December 2007)
GJ Millwater (resigned 22 February 2008)
IV Pocock (resigned 31 December 2007)
MR Rendle
D Samengo-Turner
PC Regan

The following were appointed as Directors following the year end

SE Wood (appointed 1 January 2008)
BJ McManus (appointed 18 February 2008)
JED Vickers (appointed 22 February 2008)
AJC Rivers (appointed 29 February 2008)
Sir Jeremy Hanley (appointed 12 March 2008)

There were no other changes in Directors during the year or after the year end

Statement of Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing 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.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

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

By order of the Board



S K Bryant
Secretary

9 May, 2008

51 Lime Street
London EC3M 7DQ

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WILLIS LIMITED

We have audited the financial statements of Willis Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Movement in Shareholders' Funds and the related notes 1 to 24. 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

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 judgments 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WILLIS LIMITED (continued)**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 2007 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

9 May 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 \$m	2006 \$m
Brokerage and fees	2	801	788
Interest and investment income	2	51	46
Turnover		852	834
Operating expenses		(760)	(718)
Operating profit		92	116
Finance income, net	6	112	70
Profit on ordinary activities before taxation		204	186
Tax charge on profit on ordinary activities	7	(53)	(60)
Profit on ordinary activities after taxation		151	126

All activities derive from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 \$m	2006 \$m
Profit on ordinary activities after taxation		151	126
Actuarial gain relating to the pension scheme	19	34	95
UK deferred tax attributable to actuarial gain and additional pension contribution		(10)	(52)
UK current tax benefit on additional pension contribution		-	24
Total recognised gains and losses for the financial year		175	193

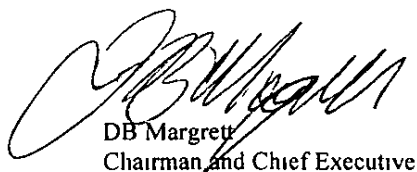
WILLIS LIMITED

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BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	2007 \$m	2006 \$m
Fixed assets			
Intangible assets - goodwill	9	123	140
Investments	10	2	2
		<u>125</u>	<u>142</u>
Current assets			
Debtors			
Amounts falling due within one year	12	4,493	4,767
Amounts falling due after one year	12	54	69
		<u>4,547</u>	<u>4,836</u>
Deposits and cash		<u>910</u>	<u>1,016</u>
		<u>5,457</u>	<u>5,852</u>
Current liabilities			
Creditors amounts falling due within one year	14	(5,031)	(5,413)
Net current assets		<u>426</u>	<u>439</u>
Total assets less current liabilities		<u>551</u>	<u>581</u>
Creditors amounts falling due after more than one year	15	(25)	(15)
Provisions for liabilities	16	(17)	(20)
Net assets excluding pension asset		<u>509</u>	<u>546</u>
Pension asset	19	<u>324</u>	<u>148</u>
Net assets including pension asset		<u>833</u>	<u>694</u>
Capital and reserves			
Called up share capital	17	153	153
Profit and loss account	18	680	541
Equity shareholders' funds		<u>833</u>	<u>694</u>

The financial statements were approved by the Board of Directors and authorised for issue on 9th May 2008 and signed on its behalf by



DB Margrett
Chairman and Chief Executive

MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDING 31 DECEMBER 2007

Movement in shareholders' funds	Note	2007 \$m	2006 \$m
Profit for the financial year		151	126
Actual return less expected return on pension scheme assets	19	(83)	(2)
Experience gains arising on pension scheme liabilities	19	(16)	-
Changes in assumptions underlying the present value of pension scheme liabilities	19	133	97
UK deferred tax attributable to actuarial gain and additional pension contribution		(10)	(52)
UK current tax benefit on additional pension contribution		-	24
Total other recognised gains and losses for the financial year (net)		24	67
Share based payments	4,25	14	7
Dividends paid	8	(50)	-
Net addition to shareholders' funds		139	200
Shareholders' funds at beginning of year		694	494
Net movement in shareholders' funds for the year		139	200
Shareholders' funds at end of year		833	694

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**1. Accounting policies****Basis of preparation**

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

The financial statements have been prepared

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

Parent undertaking and controlling party

The Company's

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

In accordance with Section 228A of the Companies Act 1985 (as amended), the Company is exempt from the requirement to produce group financial statements.

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

Revenue recognition

Brokerage income and fees negotiated instead of brokerage are recognised at the later of policy inception date or when the policy placement is complete. Interest receivable and interest payable are accounted for on an accruals basis.

Foreign currency translation

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

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

Intangible assets – goodwill

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

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

Fixed asset investments

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

1. Accounting policies (continued)

Insurance broking debtors and creditors

Insurance brokers act as agents in placing 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, market practice is for insurance brokers to retain investment income on any cash flows arising from insurance broking transactions.

Debit and credit balances arising from insurance broking transactions are generally reported as separate assets or liabilities. Such balances are aggregated into a single net balance if due to or from the same party and the offset would survive the insolvency of that party.

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.

Pension costs

The Company participates in the Group's UK defined benefit pension scheme. This scheme was closed to new entrants in January 2006. New entrants are now offered the opportunity to join a defined contribution scheme.

Defined benefit scheme

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

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

The current service costs and gains and losses on settlements and curtailments are included in the profit and loss account as part of employee 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 costs and the expected return on plan assets are shown as a net amount of other finance costs or credits within finance charges, net. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined contribution scheme

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

1. Accounting policies (continued)

Share-based payments

The Company's ultimate parent company, Willis Group Holdings Limited, issues equity-settled share-based payments to certain employees of the Company. The Company has applied the requirements of FRS20 (IFRS2) 'Share-based Payment'.

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 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 equity-settled share-based payments to certain employees 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.

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.

Cash flow statement

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

Derivative financial instruments

The Company uses derivative financial instruments for other than trading purposes to alter the risk profile of an existing underlying exposure. Interest rate swaps are used to manage interest risk exposures and amounts payable are recognised in interest income or expense on an accrual basis based on the terms of the agreement and the interest rates prevailing at that time. Forward foreign currency exchange contracts are used to manage currency exposures arising from future income. Gains or losses based on the contracted rate are recognised on maturity of the contract.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

2. Turnover

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.

	2007 \$m	2006 \$m
Brokerage and fees		
United Kingdom	368	363
North America	120	132
Rest of the world	313	293
	801	788
Interest and investment income		
Investment income	51	46

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 Finance income, net details of which are shown in note 6.

	2007 \$m	2006 \$m
3. Operating profit		
Operating profit is stated after charging		
Amortisation of goodwill	12	13
Current service costs of pension schemes		
- defined benefit scheme	47	51
- defined contribution scheme	3	-

Auditors' remuneration of \$1,000,000 (2006 \$1,000,000) was borne by another Group company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

4. Employee costs	2007 \$m	2006 \$m
Salaries	415	367
Social security costs	33	30
<i>Other pension costs</i>		
Amounts within operating profit	47	52
Amounts included as other finance income	(72)	(49)
Amounts recognised in statement of total recognised gains and losses	(34)	(95)
	<u>389</u>	<u>305</u>
Amounts borne by fellow subsidiary undertakings	(84)	(83)
Total employee costs	<u>305</u>	<u>222</u>
Number of employees – average for the period	2007 Number	2006 Number
Producer	618	655
Client services	1,823	1,843
Management / administration services	1,019	1,076
	<u>3,460</u>	<u>3,574</u>

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

The Company recognised total expense in 2007 of \$14 million (2006 \$7 million) related to equity-settled share-based payment transactions to employees (these are included within salary costs above).

5. Directors' remuneration	2007 \$m	2006 \$m
Emoluments, (excluding pension contributions and long term incentive awards)	5	7
Benefits	-	-
Pension contributions	1	1
	<u>6</u>	<u>8</u>
Highest paid Director		
Emoluments, (excluding pension contributions and long term incentive awards)	1	1
Accrued annual pension	-	-
	<u>1</u>	<u>1</u>
	2007 Number	2006 Number
Directors exercising share options	2	6
Directors eligible for defined benefit pension schemes	9	15

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

6. Finance income, net	2007 \$m	2006 \$m
<i>Interest and investment income</i>		
Interest receivable from Group undertakings	20	21
Income from shares in subsidiary undertakings	20	-
	<u>40</u>	<u>21</u>
<i>Other finance income/(charges)</i>		
Expected return on pension scheme assets	183	144
Interest on pension scheme liabilities	(111)	(95)
	<u>72</u>	<u>49</u>
Finance income, net	<u>112</u>	<u>70</u>

7. Tax charge on profit on ordinary activities	2007 \$m	2006 \$m
<i>(a) Analysis of(credit)/ charge for the year</i>		
Current tax		
UK corporation tax on profit at 30% (2006 30%)	(17)	39
Adjustments in respect of prior periods	3	(2)
Current tax (credit)/charge on profit on ordinary activities (note 7(b))	<u>(14)</u>	<u>37</u>
Deferred tax		
Origination and reversal of timing differences	78	23
Effect of decrease in tax rate on opening assets and liabilities	(6)	
Adjustments to the estimated recoverable amount of deferred tax arising in previous periods	(5)	
Total deferred tax (note 13)	<u>67</u>	<u>23</u>
Tax charge on profit on ordinary activities	<u>53</u>	<u>60</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

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

(b) Factors affecting tax (credit)/charge for the year

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

	204	186
Profit on ordinary activities before tax		
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	61	56
Effects of		
Permanent difference on employee share benefit scheme	-	(4)
Timing difference on employee share benefit scheme	1	1
Expenses not deductible for tax purposes (primarily goodwill amortisation)	5	9
Timing differences on general provisions	-	1
Permanent difference on pension contributions	1	2
Timing difference on pension contributions	(68)	(25)
Utilisation of Group relief for nil consideration	-	(2)
Intra-group dividends which are not taxable	(6)	-
Tax overprovided in previous years	(2)	(2)
Other including effects of exchange rates	-	1
Impact of rate change on opening balances (note 7(a))	(6)	-
Current tax (credit)/charge for the year (note 7(a))	(14)	37

(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 FRS20 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

Following the Finance Act 2007, the UK corporation tax rate changed from 30% to 28% on 1 April 2008. In addition to impacting future tax charges, this change had an impact in 2007 on the deferred tax. In particular the Company's opening deferred tax liabilities on the pension scheme were reduced by \$8 million and the other opening deferred tax assets were reduced by \$2 million

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

8 Dividends paid	2007 \$m	2006 \$m
First interim paid (23 July 2007)	<u>50</u>	<u>-</u>

9. Intangible assets – goodwill	2007 \$m	2006 \$m
<i>Cost or valuation</i>		
1 January 2007	194	194
Disposals	(7)	-
31 December 2007	<u>187</u>	<u>194</u>
<i>Amortisation</i>		
1 January 2007	54	41
Provision for the year	12	13
Disposals	(2)	-
31 December 2007	<u>64</u>	<u>54</u>
<i>Net book value 31 December</i>	<u>123</u>	<u>140</u>

On 31 July 2007 the Company disposed of the book of business in CH Jeffries. The sale proceeds were \$3 million and the loss on sale was \$3 million.

10. Investments held as fixed assets	Subsidiary undertaking \$m
<i>Cost</i>	
1 January 2007 and 31 December 2007	2
<i>Amounts provided</i>	
1 January 2007 and 31 December 2007	-
<i>Net book value</i>	
1 January 2007 and 31 December 2007	<u>2</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

11. Shares in subsidiary undertaking

The principal subsidiary undertaking at 31 December 2007 was

	Country of incorporation	Class of share	Percentage of share capital held
<i>Insurance Broking</i>			
Special Contingency Risks Limited	Great Britain	Ordinary of £1 each	100%

The Company is exempt from the obligation to prepare group financial statements in accordance with Section 228A 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 financial statements relate to the Company only and not to its Group.

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

	2007 \$m	2006 \$m
12. Debtors		
<i>Amounts falling due within one year*</i>		
Trade debtors	3,420	3,693
Amounts owed by Group undertakings	976	986
Amounts owed by associated undertakings	14	24
Corporation tax	34	20
Prepayments and accrued income	48	42
Other debtors	1	2
	<u>4,493</u>	<u>4,767</u>
<i>Amounts falling due after more than one year</i>		
Trade debtors	15	15
Deferred tax asset (note 13)	39	54
	<u>54</u>	<u>69</u>
	<u>4,547</u>	<u>4,836</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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

13 Deferred tax	2007 \$m	2006 \$m
<i>Deferred tax has been provided in full in respect of assets/liabilities arising from the following timing differences:</i>		
Included in debtors (note 12)	39	54
Included in pension asset/liability (note 19)	(126)	(63)
	<u>(87)</u>	<u>(9)</u>
<i>Deferred tax consists of:</i>		
Timing difference on pension contributions	31	47
Timing difference on pension asset	(126)	(63)
Timing difference on share-based payments	5	4
Timing difference on general provisions	3	3
	<u>(87)</u>	<u>(9)</u>
<i>At 1 January</i>	(9)	60
Deferred tax charge in profit and loss account (note 7(a))	(67)	(23)
Deferred tax charge in statement of recognised gains and losses	(10)	(52)
Exchange adjustment	(1)	6
At 31 December	<u>(87)</u>	<u>(9)</u>

14. Creditors: amounts falling due within one year	2007 \$m	2006 \$m
Trade creditors	4,478	4,845
Amounts owed to Group undertakings	433	434
Amounts owed to associated undertakings	3	2
Other creditors	17	17
Accruals and deferred income	100	115
	<u>5,031</u>	<u>5,413</u>

15. Creditors: amounts falling due after more than one year	2007 \$m	2006 \$m
Amounts owed to associated undertakings	23	14
Other creditors	2	1
	<u>25</u>	<u>15</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

16. Provisions for liabilities	Redundancy provision	Errors and omissions	Total
	\$m	\$m	\$m
1 January 2007	6	14	20
Profit and loss account movements	-	3	3
Used in the year	(6)	(1)	(7)
Provided/paid by Group captive insurer	-	1	1
31 December 2007	-	17	17

Redundancy provision

A \$6 million provision was held at 31 December 2006. All staff involved had been notified by 31 December 2006 and the liability was extinguished during 2007.

Errors and omissions provision

The provision comprises estimates for liabilities that may arise from actual and potential claims for errors and omissions. The total amount recoverable from the Group's captive insurer of \$10 million at 31 December 2007 (2006: \$10 million) is included in amounts owed by Group undertakings in note 14.

17. Called up share capital	2007 Number (million)	2006 Number (million)
Authorised share capital		
Ordinary shares of £1 each	105	105
	2007 \$m	2006 \$m
Allotted, issued and fully paid		
105,000,000 (2006: 105,000,000) ordinary shares of £1 each	153	153

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

18. Profit and loss account	2007 \$m	2006 \$m
1 January	541	341
Profit on ordinary activities after taxation	151	126
Dividend paid	(50)	-
Actuarial gain relating to the pension scheme (net of deferred tax)	24	67
Share-based payments	14	7
31 December	680	541
<i>Net pension asset/(liability)</i>		
Profit and loss reserve excluding pension asset/(liability)	356	393
Amount relating to defined benefit pension scheme asset/(liability), net of related deferred tax	324	148
Profit and loss reserve	680	541

19. Pensions

Defined Benefit Pension Scheme

The Company operates a defined benefit pension scheme in the UK on behalf of its employees and employees working for or seconded to other subsidiary companies of T A I Limited. A full actuarial valuation was carried out at 31 December 2004 and updated to 31 December 2007 by a qualified actuary. The major assumptions used for the actuarial valuation were:

	2007 %	2006 %	2005 %
Rate of increase in salaries	4.3	3.9	3.6
Rate of increase in pensions in payment	3.0	3.0	3.0
Discount rate	5.9	5.3	4.9
Inflation assumption	3.3	2.9	2.6

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

19. Pensions (continued)

Asset distribution and expected return

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

	2007	2007	2006	2006	2005	2005
	\$m	%	\$m	%	\$m	%
Equities	1,762	8.75	1,637	8.75	1,269	8.65
Bonds	366	5.3	272	5.3	173	4.9
Gilts	183	4.5	136	4.5	86	4.1
Property	125	6.3	124	6.3	95	6.1
Other	64	4.3	98	4.3	48	4.1
Total fair value of assets	2,500		2,267		1,671	
Present value of scheme liabilities	(2,050)		(2,056)		(1,818)	
Gross pension asset/(liability)	450		211		(147)	
Related deferred tax (liability)/asset	(126)		(63)		44	
Net pension asset/(liability)	324		148		(103)	

The contribution paid by the Company for 2007 was £75 million (\$149 million) with an additional contribution made by the Company of £15 million (\$30 million). The Company has agreed with the Trustee of the UK Pension Scheme that contributions will be £75 million for 2008, and for one further year, subject to the outcome of the 31 December 2007 valuation that will be carried out during 2008.

The Scheme closed to new members from 1 January 2006. During 2007 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:

	2007	2006
	\$m	\$m
Current service cost	47	51

Analysis of the amount credited to net finance charges

	2007	2006
	\$m	\$m
Expected return on pension scheme assets	183	144
Interest on pension scheme liabilities	(111)	(95)
	72	49

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

	2007	2006
	\$m	\$m
Actual return less expected return on pension scheme assets	(83)	(2)
Experience gains and losses arising on the scheme liabilities	(16)	-
Changes in assumptions underlying the present value of the scheme liabilities	133	97
	34	95

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

19 Pensions (continued)

Movement in scheme surplus/(deficit) during the year.

	2007 \$m	2006 \$m
At 1 January	211	(147)
Current service cost	(61)	(61)
Contributions	193	273
Net finance income	72	49
Actuarial gain	34	95
Exchange and other adjustments	1	2
At 31 December	450	211

History of experience of gains and losses.

	2007	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets					
Amount (\$ m)	(83)	(2)	184	58	103
Percentage of scheme assets	(3%)	-	10%	4%	9%
Experience gains and losses on scheme liabilities					
Amount (\$ m)	(16)	-	15	(3)	(11)
Percentage of the present value of the scheme liabilities	(1%)	-	1%	-	1%
Total actuarial gain/(loss) in the statement of total recognised gains and losses					
Amount (\$ m)	34	95	13	(77)	43
Percentage of the present value of scheme liabilities	2%	5%	1%	(5%)	3%

Defined Contribution Scheme

The Company operated a defined contribution scheme for new members from 1 January 2006

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

20. 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 2007 the Company had entered into forward contracts for the purchase/sale of foreign currencies which had a net fair value of \$10 million (2006: \$18 million). These forward contracts are summarised below:

Contracts maturing between	Purchases GBP (millions/average rate to USD)	Sales Euros (millions/average rate to USD)	Sales Japanese Yen (millions/average rate to USD)
1 January 2008 to 31 December 2008	50/2 004	52/1 381	950/115 432
1 January 2009 to 31 December 2009	10/2 009	52/1 386	600/111 037
1 January 2010 to 31 December 2010	-	29/1 411	150/104 980

21. Contingent liabilities

The Company has given guarantees and indemnities to bankers and other third parties amounting to \$153,000 (2006: \$170,000).

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

21. Contingent liabilities (continued)

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.

Recently two former clients of Willis Limited, American Reliable Insurance Company and one of its associated companies ("ARIC") and CNA Insurance Company Limited and two of its associated companies ("CNA") have each terminated their respective tolling agreements with the Company and commenced litigation in the English Commercial Court against the Company. ARIC has alleged conspiracy between a Company employee and the ARIC underwriter as well as negligence and CNA has alleged deceit and negligence by the same Company employee both in connection with placements of personal accident reinsurance in the excess of loss market in London and elsewhere. The Company disputes these allegations and intends to vigorously defend itself against these actions. ARIC's asserted claim is approximately \$257 million (plus unspecified interest and costs) and CNA's asserted claim is approximately \$251 million (plus various unspecified claims for exemplary damages, interest and costs). The Company cannot predict at this time what, if any, damages might result from this action but believes that any amounts likely required to resolve the claims will be covered by errors and omissions insurance. 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. Such claims may be made against the Company if reinsurers do not pay claims on policies issued by them. The Company cannot predict at this time whether any such claims will be made or the damages that may be alleged.

22. Related party transactions

FRS8 (paragraph 3(c)) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

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. 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. All options granted under this plan are exercisable at £2 per share (\$3.96 using the year-end exchange rate of £1 = \$1.98). 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 (\$3.96 using the year-end exchange rate of £1 = \$1.98). 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.

24. Share-based payment (continued)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

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.

	2007	2006
Weighted average share price	\$39.90	\$33.23
Weighted average exercise price	\$39.90	\$33.23
Expected volatility	30%	30%
Expected dividends	2.5%	2.5%
Expected life (years)	5	6
Risk-free interest rate	4.66%	5.34%

A summary of option activity under the plans at 31 December 2007 and 2006, and changes during the years then ended is presented below.

(Options in thousands)	2007		2006	
	Number of options	Weighted Average Exercise Price ⁽¹⁾	Number of options	Weighted Average Exercise Price ⁽¹⁾
Outstanding at 1 January	7,289	\$32.78	5,096	\$30.30
Granted	817	\$39.90	3,299	\$33.23
Exercised	(328)	\$21.84	(438)	\$6.24
Forfeited	(260)	\$36.25	(562)	\$34.02
Expired	-	-	(106)	\$37.75
Outstanding at 31 December	7,518	\$33.91	7,289	\$32.68
Exercisable at 31 December	1,982	\$32.05	1,509	\$29.21

⁽¹⁾ Certain options are exercisable at £2 per share. The year-end exchange rate of £1 = \$1.98 has been used as of 31 December 2007 (2006: £1 = \$1.96).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

24. Share-based payment (continued)

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2007 was \$41.87

Details of the range of exercise prices and the weighted average contractual life of share options outstanding at 31 December 2007 are as follows

	Options outstanding	Weighted average Remaining contractual life
Range of exercise prices (options in thousands)		
\$3.96 ⁽¹⁾	235	2 years
\$13.50	31	4 years
\$23.32-\$28.25	340	5 years
\$30.75-\$36.71	4,170	6 years
\$36.94-\$43.14	2,742	5 years
	<u>7,518</u>	<u>6 years</u>

⁽¹⁾ Certain options are exercisable at £2 per share. The year-end exchange rate of £1 = \$1.98 has been used as of 31 December 2007 (2006: £1 = \$1.96)

A summary of restricted stock unit activity under the plans at 31 December 2007, and changes during the year then ended is presented below

	Shares	Weighted Average Grant Date Fair Value
(Units awarded in thousands)		
Non-vested shares (restricted stock units)		
Outstanding at 1 January 2007	332	\$33.04
Granted	288	\$39.50
Vested	(29)	\$32.72
Forfeited	(10)	\$34.76
Outstanding at 31 December 2007	<u>581</u>	<u>\$36.23</u>

The Company recognised total operating expense in 2007 of \$14 million (2006: \$7 million) related to equity-settled share-based payment transactions