SPECIAL CONTINGENCY RISKS LIMITED

(Registered No. 617667)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

DIRECTORS

DB Margrett – Chairman, (appointed 25 July 2005)
JR Holliday
DR Milne

SECRETARY

SK Bryant

REGISTERED OFFICE

28 Great Tower Street
London EC3R 5AT

AUDITORS

Deloitte & Touche LLP
London

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

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

PRINCIPAL ACTIVITIES AND REVIEW OF DEVELOPMENTS

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

RESULTS

The profit on ordinary activities after taxation amounted to £1,985,000 (2004: £2,858,000).

FUTURE DEVELOPMENTS

The Company does not anticipate any changes to its business in the coming years.

DIVIDENDS

No interim dividend was paid in the year (2004: £nil). The Directors do not recommend the payment of a final dividend (2004: £nil).

DIRECTORS AND THEIR INTERESTS

The current Directors of the Company are named on page 1, which forms part of this report. All Directors served throughout the year, with the exception of C M London, who resigned as Director of the Company with effect from 7 September 2005.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

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

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

In preparing the accounts on pages 5 to 12 the Directors consider that:

a) they have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates; and

(b) all applicable accounting standards have been followed.

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

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

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

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 provisions of section 386(2) of the Companies Act 1985.

By Order of the Board

SK Bryant
Secretary

10 October 2006

Ten Trinity Square
London EC3P 3AX

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SPECIAL CONTINGENCY RISKS LIMITED

We have audited the financial statements of Special Contingency Risks Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the movement in shareholders' funds and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

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

- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors

London
United Kingdom

24 October 2006

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 £000	2004 £000
Brokerage and fees	3	7,323	9,294
Interest receivable		163	65
OPERATING REVENUE		7,486	9,359
Operating expenses		5,117	5,460
OPERATING PROFIT	4	2,369	3,899
Interest receivable from group undertakings		420	207
Interest payable	5	3	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,786	4,106
Tax on profit on ordinary activities	8	801	1,248
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,985	2,858
RETAINED PROFIT FOR THE FINANCIAL YEAR	13	1,985	2,858

All activities derive from continuing operations.

RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2005

There are no recognised gains or losses other than the profit attributable to shareholders of the Company of £1,985,000 in the year ended 31 December 2005 and of £2,858,000 in the year ended 31 December 2004.

BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	2005 £000	2004 £000
CURRENT ASSETS			
Debtors	9	20,823	22,661
Cash at bank and in hand		5,074	6,287
		25,897	28,948
CURRENT LIABILITIES			
CREDITORS: amounts falling due within one year	11	14,702	19,738
NET CURRENT ASSETS		11,195	9,210
TOTAL ASSETS LESS CURRENT LIABILITIES		11,195	9,210
CAPITAL AND RESERVES			
Called up share capital	12	750	750
Profit and loss account	13	10,445	8,460
EQUITY SHAREHOLDERS' FUNDS		11,195	9,210

The financial statements were approved on behalf of the Board on 10 October 2006, and signed on its behalf:

Director

MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2005

	2005 £000	2004 £000
Profit for the financial year	1,985	2,858
Net movement in shareholders' funds for the year	1,985	2,858
Shareholders' funds at 1 January	9,210	6,352
Shareholders' funds at 31 December	11,195	9,210

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

1. ULTIMATE PARENT COMPANY

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

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

2. ACCOUNTING POLICIES

(a) Basis of preparation
These financial statements have been prepared on the going concern basis under the historical cost convention and comply with applicable law and accounting standards in the United Kingdom.

(b) Revenue recognition
The Company takes credit for brokerage income (or fees negotiated instead of brokerage) at the inception date of the policy. Brokerage on return and additional premiums and adjustments are brought into account as and when these occur. Fees and other commissions are accounted for on an as earned basis. 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. 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) 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 cashflows arising from insurance broking transactions and accounting standards require debtors and creditors arising from such transactions are shown as assets and liabilities.

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

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

(e) Pensions
The Company participates in a group defined benefit pension scheme. The regular cost of providing benefits is charged to operating profit over the employees' service lives on the basis of a constant percentage of pensionable earnings. Variations from regular cost, arising from periodic actuarial valuations, are allocated to operating profit on a systematic basis over the expected remaining service lives of current employees. Pension contributions charged to the Company are based on pension costs across the Group's UK companies as a whole.

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

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

(g) 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.

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

3. BROKERAGE AND FEES

The table below analyses the Company's brokerage and fees by the territory in which the client is domiciled. This does not necessarily reflect the original source or location of the business. Brokerage and fees are attributable to continuing operations.

	2005 £000	2004 £000
United Kingdom	993	5,491
North America	842	1,295
Rest of the World	5,488	2,508
	7,323	9,294

4. OPERATING PROFIT

Audit fees were borne by a fellow group company in both the current and prior years.

5. INTEREST PAYABLE

	2005 £000	2004 £000
Bank loans, overdrafts and other loans repayable within five years	3	-

6. EMPLOYEE COSTS

	2005 £000	2004 £000
Salaries	2,697	2,548
Social security costs	297	305
Other pension costs	168	160
	3,162	3,013

	2005 Number	2004 Number
Number of employees - average for the year	27	23

The members of staff working for the Company are employed by other subsidiary undertakings of Willis Group Holdings Limited. The Company bears the cost of the salaries, social security payments and pension contributions relating to such staff and reimburses the employing company for the full amount of the costs incurred, as shown above.

7. DIRECTORS' REMUNERATION

	2005 £000	2004 £000
Emoluments (excluding pension contributions and long term incentive awards)	1,260	1,169
Pension contributions	92	92
	1,352	1,261
Highest paid Director		
Emoluments (excluding pension contributions and long term incentive awards)	749	694
Accrued annual pension	6	72

	2005 Number	2004 Number
Directors exercising share options	1	3
Directors eligible for defined benefit pension schemes	2	3

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

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005 £000	2004 £000
(a) Analysis of charge for the year		
Current tax:		
UK corporation tax on profits of 30% (2004: 30%)	865	1,449
Adjustment in respect of prior periods	(64)	252
Foreign tax on profits for the year	-	2
Total current tax (note 8(b))	801	1,703
Deferred tax credit:		
Origination of timing differences	-	(203)
Adjustments to the estimated recoverable amounts of deferred tax assets arising in prior periods	-	(252)
Total deferred tax credit (note 10)	-	(455)
Tax on profit on ordinary activities	801	1,248

(b) Factors affecting tax charge for the year

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

	2005 £000	2004 £000
Profit on ordinary activities before tax	2,786	4,106
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	836	1,232
Effects of:		
Expenses not deductible for tax purposes	29	14
Foreign tax on profits for the year	-	2
Movements in short term timing differences	-	455
Adjustments to tax charge in respect of prior years	(64)	-
Current tax charge for the year (note 8(a))	801	1,703

9. DEBTORS

	2005 £000	2004 £000
Due within one year:		
Trade debtors	6,806	15,339
Amounts owed by group undertakings	13,391	6,404
Other debtors	72	114
Prepayments and accrued income	99	349
	20,368	22,206
Due after more than one year:		
Deferred tax asset (note 10)	455	455
	20,823	22,661

10. DEFERRED TAX

	2005 £000	2004 £000
The deferred tax included in the balance sheet is as follows:		
Included in debtors (note 9)	455	455
Deferred tax consists of:		
Other timing differences	455	455
At 1 January	455	-
Deferred tax credit in profit and loss account (note 8(a))	-	455
At 31 December	455	455

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

11. CREDITORS: amounts falling due within one year	2005 £000	2004 £000
Bank overdraft	326	-
Trade creditors	8,864	13,620
Amounts owed to group undertakings	1,968	2,163
Corporation tax	953	1,538
Accruals and deferred income	2,591	2,417
	14,702	19,738

12. CALLED UP SHARE CAPITAL	2005 £000	2004 £000
Authorised, allotted, issued and fully paid:		
750,000 (2004: 750,000) ordinary shares of £1 each	750	750

13. PROFIT AND LOSS ACCOUNT	2005 £000	2004 £000
1 January	8,460	5,602
Retained profit for the year	1,985	2,858
31 December	10,445	8,460

14. CONTINGENT LIABILITIES

The Company has given guarantees and indemnities to bankers and other third parties amounting to £3,449 (2004: £3,090).

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

Most of the claims, lawsuits and proceedings arising in the ordinary course of business are covered by professional indemnity or other appropriate insurance. In respect of self-insured deductibles the Company has established provisions against these items which are believed to be adequate in the light of current information and legal advice, and the Company adjusts such provisions from time to time according to developments. On the basis of current information, the Company does not expect that the outcome of the actual claims, lawsuits and proceedings to which the Company is subject, or potential claims, lawsuits or proceedings, of which we are aware, either individually or in aggregate, will have a material adverse effect on the Company's financial condition, results of operations or liquidity.

15. PENSIONS

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

The most recent actuarial valuation of the Scheme was at 31 December 2004. The most recent actuarial valuation has been reviewed and updated as at 31 December 2005 to take account of the requirements of FRS17 "Retirement Benefits", in order to assess the liabilities of the Scheme at 31 December 2005.

The Directors consider that the share of the Scheme's underlying assets and liabilities attributable to the Company's employees cannot be separately identified. Accordingly all scheme assets and liabilities are included on the balance sheet of Willis Limited. The Scheme showed an overall deficit of $102.8 million (£59.8.million) at 31 December 2005 compared with an overall deficit of $157.3 million (£81.9 million) at 31 December 2004. Company contribution rates increased from 14.1 % to 14.5.% of pensionable earnings with effect from 1 January 2005. In addition, the Scheme became contributory for employed members who joined pre-1995 at the rate of 2% in 2005 and 4% in 2006 to bring their contributions in-line with employed members who joined post-1995.

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

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

16. DIRECTORS' INTERESTS IN CONTRACTS

The Company and other insurance broking subsidiary undertakings of Willis Group Holdings Limited place risks with syndicates in which the Directors or connected persons (as defined in section 346 of the Companies Act 1985 (as amended)) participate in the normal course of their broking activities on the same basis as they do with other Lloyd's syndicates.

17. RELATED PARTY TRANSACTIONS

FRS8 paragraph 3(c) exempts the reporting of transactions between Group companies in the accounts of companies 90% or more of whose voting rights are controlled within the Group. The Company has taken advantage of this exemption.