SPECIAL CONTINGENCY RISKS LIMITED

(Registered No 617667)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

DIRECTORS

DB Margrett – Chairman
JR Holliday
DR Milne

SECRETARY

S Minocha

REGISTERED OFFICE

28 Great Tower Street
London EC3R 5AT

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

PRINCIPAL ACTIVITIES AND REVIEW OF DEVELOPMENTS

The Company is a Lloyds broker engaged in international insurance broking 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 foreseeable future

RESULTS

The profit on ordinary activities after taxation amounted to £849,000 (2005 £1,985,000), which represents a 57% decrease The Company's Profit and Loss Account (on page 5) shows a 2% decrease in brokerage and fees from the prior year, notwithstanding an increase in brokerage and fees from its business dealings with North America

The Company's financial position at the end of its financial year is detailed in the Balance Sheet on page 6 During the year a bank overdraft which stood at £326,000 on 31 December 2005 was repaid Total assets increased by 8% from £11,195,000 to £12,044,000

Details of amounts owed by Group undertakings are shown in note 9 to the financial statements on page 9, and amounts owed to Group undertakings in note 11 (on page 9)

FUTURE DEVELOPMENTS

The Company is developing an electronic trading platform, SCR Elite, which will be used across the Company's business streams It is anticipated that SCR Elite will bring operational efficiencies as well as becoming a valuable sales and retention tool

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

DIVIDENDS

No interim dividend was paid during the year (2005 £Nil) The Directors do not recommend the payment of a final dividend (2005 £Nil) Dividends proposed after the balance sheet date are shown in note 18

PRINCIPAL RISKS AND UNCERTAINTIES

Competition in the Company's specialised area remains strong across all business streams However the Company is confident that it delivers value to clients through its service levels and unique expertise

The Company is regulated in the UK by the Financial Services Authority and has appropriate FSA permissions to carry on its current activities Internal control procedures are in place to ensure that the Company is fully compliant with all applicable UK insurance industry regulation

The Company earns its brokerage and fees in various currencies and it is therefore exposed to the movement in exchange rates The Group's treasury function manages this risk at a Group level

The Company is financed by its own monies and has no third party debt It therefore has no interest rate exposure

Group risks are discussed in the Willis Group's financial statements, which does 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

EMPLOYEES

Details of the number of employees and related costs can be found in note 6 to the financial statements on page 8

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

DIRECTORS AND THEIR INTERESTS
The current Directors of the Company are shown on page 1 which forms part of this report There were no changes in Directors during the year or after the year end

The Directors have no disclosable interests in the shares of the Company or of 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 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 provisions of section 386(2) of the Companies Act 1985

By Order of the Board

S Minocha
Secretary
18 September 2007

Ten Trinity Square
London EC3P 3AX

INDEPENDENT AUDITORS' REPORT FOR 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 2006 which comprise the profit and loss account, the balance sheet, the movement in shareholders' funds and the related notes numbered 1 to 18 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 judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed

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

OPINION
In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 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

9 October 2007

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 £000	2005 £000
Brokerage and fees	3	7,202	7,323
Interest receivable		169	163
OPERATING REVENUE		7,371	7,486
Operating expenses		(6,723)	(5,117)
OPERATING PROFIT	4	648	2,369
Interest receivable from group undertakings		545	420
Interest payable	5	-	(3)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,193	2,786
Tax on profit on ordinary activities	8	(344)	(801)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	13	849	1,985

All activities derive from continuing operations

RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2006

There are no recognised gains or losses other than the profit attributable to shareholders of the Company of £849,000 in the year ended 31 December 2006 and of £1,985,000 in the year ended 31 December 2005

BALANCE SHEET AS AT 31 DECEMBER 2006

	Note	2006 £000	2005 £000
CURRENT ASSETS			
Debtors	9	20,638	20,823
Cash at bank and in hand		3,326	5,074
		23,964	25,897
CURRENT LIABILITIES			
CREDITORS amounts falling due within one year	11	(11,920)	(14,702)
NET CURRENT ASSETS		12,044	11,195
TOTAL ASSETS LESS CURRENT LIABILITIES		12,044	11,195
CAPITAL AND RESERVES			
Called up share capital	12	750	750
Profit and loss account	13	11,294	10,445
EQUITY SHAREHOLDERS' FUNDS		12,044	11,195

The financial statements were approved on behalf of the Board on 18 September 2007, and signed on its behalf

D B Margrett
Director

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

	2006 £000	2005 £000
Profit for the financial year	849	1,985
Net movement in shareholders' funds for the year	849	1,985
Shareholders' funds at 1 January	11,195	9,210
Shareholders' funds at 31 December	12,044	11,195

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

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 cash flows arising from insurance broking transactions and accounting standards require debtors and creditors arising from such transactions are shown as assets and liabilities

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

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

(e) Pensions
The Company participates in both a Group defined benefit pension scheme and a Group defined contribution scheme The staff working for the Company are employed by Willis Limited, a fellow subsidiary undertaking of Willis Group Holdings Limited

(i) Defined benefit scheme
As the Directors are unable to identify the Company's share of the scheme's underlying assets and liabilities, the Company recognises as its pension cost the contributions payable under the scheme during the year, as allowed by FRS17 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

(ii) 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

(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 2006 (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

	2006 £000	2005 £000
United Kingdom	656	993
North America	2,207	842
Rest of the World	4,339	5,488
	7,202	7,323

4 OPERATING PROFIT

All auditors' remuneration of £10,000 (2005 £9,600) was borne by another Group company

5 INTEREST PAYABLE

	2006 £000	2005 £000
Bank loans, overdrafts and other loans repayable within five years	-	3

6 EMPLOYEE COSTS

	2006 £000	2005 £000
Salaries	2,558	2,697
Social security costs	278	297
Other pension costs	199	168
	3,035	3,162

	2006 Number	2005 Number
Number of employees - average for the year	29	27

The 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

	2006 £000	2005 £000
Emoluments (excluding pension contributions and long term incentive awards)	1,418	1,245
Benefits	15	15
Pension contributions	101	92
	1,534	1,352
Highest paid Director		
Emoluments (excluding pension contributions and long term incentive awards)	852	749
Accrued annual pension	79	75

	2006 Number	2005 Number
Directors exercising share options	-	1
Directors eligible for defined benefit pension schemes	2	2

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

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006 £000	2005 £000
(a) Analysis of charge for the year		
Current tax		
UK corporation tax on profits of 30% (2005 30%)	385	865
Adjustment in respect of prior periods	(41)	(64)
Total current tax and tax on profit on ordinary activities (note 8(b))	344	801

(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

	2006 £000	2005 £000
Profit on ordinary activities before tax	1,193	2,786
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 30%)	358	836
Effects of		
Expenses not deductible for tax purposes	27	29
Adjustments to tax charge in respect of prior years	(41)	(64)
Current tax charge for the year (note 8(a))	344	801
Profit on ordinary activities before tax	1,193	2,786

(c) Circumstances affecting the current and future tax charges

Following the enactment of the Finance Act 2007, the UK corporation tax rate will be 28% as from 1 April 2008 This change should not have a significant impact on the existing deferred tax asset

9 DEBTORS

	2006 £000	2005 £000
Due within one year		
Trade debtors	3,487	6,806
Amounts owed by group undertakings	16,648	13,391
Other debtors	2	3
Prepayments and accrued income	46	168
	20,183	20,368
Due after more than one year		
Deferred tax asset (note 10)	455	455
	20,638	20,823

10 DEFERRED TAX

	2006 £000	2005 £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 and 31 December 2006	455	455

11 CREDITORS amounts falling due within one year

	2006 £000	2005 £000
Bank overdraft	-	326
Trade creditors	7,298	8,864
Amounts owed to group undertakings	1,548	1,968
Corporation tax	384	953
Accruals and deferred income	2,690	2,591
	11,920	14,702

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

12 CALLED UP SHARE CAPITAL

	2006 £000	2005 £000
Authorised, allotted, issued and fully paid		
750,000 (2005 750,000) ordinary shares of £1 each	750	750

13 PROFIT AND LOSS ACCOUNT

	2006 £000	2005 £000
1 January	10,445	8,460
Profit on ordinary activities after taxation	849	1,985
31 December	11,294	10,445

14 CONTINGENT LIABILITIES

The Company has given guarantees and indemnities to bankers and other third parties amounting to £10,893 (2005 £3,449)

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

Defined Benefit Scheme
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 2006 to take account of the requirements of FRS17 "Retirement Benefits", in order to assess the liabilities of the Scheme at 31 December 2006

The Directors consider that the share of the Scheme's underlying assets and liabilities attributable to the Company's employees cannot be separately identified as several Group companies participate in the Scheme Accordingly all scheme assets and liabilities are included on the balance sheet of Willis Limited The Scheme showed an overall surplus after tax of $147 8 million (£75 4 million) at 31 December 2006 compared with an overall deficit after tax of $102 8 million (£59 8 million) at 31 December 2005 Company contribution rates increased from 14 5 % to 14 6% of pensionable earnings with effect from 1 January 2006 In addition, the Scheme contributions increased to the rate of 4% in 2006 for employed members who joined pre-1995 to bring their contributions in line with employed members who joined post-1995 and to the rate of 6% for all employed members in 2007

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

This Scheme was closed to new members from 1 January 2006

Defined Contribution Scheme
The Company operated a defined contribution scheme for new members from 1 January 2006, for which the pension cost charge for the year amounted to £1,356

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (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 exempts the reporting of transactions between Group companies in the accounts of companies 90% or more of whose voting rights are controlled within the Group The Company has taken advantage of this exemption There are no other transactions requiring disclosure

18 EVENTS AFTER THE BALANCE SHEET DATE

On 20 April 2007 the Directors declared an interim dividend of £10 million