

WILLIS GROUP LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

Directors

J J Plumeri – Chairman and Chief Executive Officer
R J S Bucknall
T Colraine

Secretary

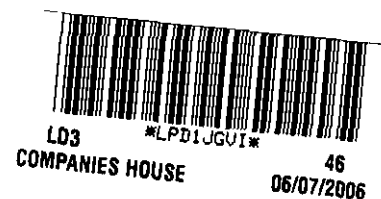
M P Chitty

Registered Office and Number

Ten Trinity Square
London EC3P 3AX
No. 621757

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

The Company acts as the holding company of the Willis Group which is one of the world's leading professional service providers of risk management solutions, risk transfer expertise through insurance and reinsurance broking, and related specialised consultancy services.

Performance review

The profit on ordinary activities after taxation amounted to \$368,329,000 for the year (2004: \$181,517,000). Interim dividends of \$211,000,000 and \$186,473,784 were paid on 8 August 2005 and 21 December 2005 respectively (2004: interim dividends of \$25,850,995, \$128,700,000, \$160,400,000 and \$120,000,000 were paid on 13 January 2004, 24 February 2004, 10 May 2004 and 13 October 2004 respectively). The Directors do not recommend the payment of a final dividend (2004: \$nil).

Use of financial instruments

In the United Kingdom, the Company's subsidiaries earn revenues in a number of different currencies but expenses are almost entirely in sterling. The policy of the Company's subsidiaries within the United Kingdom is to convert into sterling all revenues arising in currencies other than US dollars together with sufficient US dollar revenues to fund the remaining sterling expenses. The Company enters into forward contracts for the sales of foreign currencies in which its subsidiaries have significant income. These contracts are matched by "back – to – back" contracts into the subsidiary with the foreign currency exposure. Details of the contracts as at 31 December 2005 are given in note 18 of the accounts.

Directors and their interests

The present Directors of the Company are named on page 1 which forms part of this report. There were no changes of Directors during the year or after the year end. 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 11 the Directors consider that:

- (a) they have used suitable 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

A handwritten signature in black ink, appearing to be 'M P Chitty', written over a horizontal line.

M P Chitty
Secretary

Ten Trinity Square
London EC3P 3AX

26 June 2006

Independent auditors' report to the members of Willis Group Limited

We have audited the financial statements of Willis Group 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 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

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

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

Basis of audit opinion

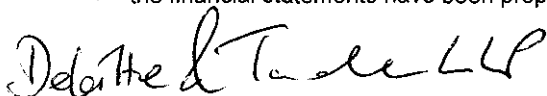
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

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

Opinion

In our opinion:

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



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

2006



WILLIS GROUP LIMITED**5****PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2005**

	Note	2005 \$000	2004 \$000
Turnover	2	53,405	54,697
Administrative expenses		(472)	(22)
Other operating (expense)/ income – foreign exchange		(28,417)	10,557
Operating profit	3	24,516	65,232
Income from shares on subsidiary undertakings		354,121	130,000
Amounts written off fixed asset investments	9	-	(596)
Interest and investment income	4	20	8,127
Profit on ordinary activities before taxation		378,657	202,763
Tax on profit on ordinary activities	7	(10,328)	(21,246)
Profit on ordinary activities after taxation and retained loss for the financial year	14	368,329	181,517

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 \$368,329,000 in the year ended 31 December 2005 and profit of \$181,517,000 in the year ended 31 December 2004.

WILLIS GROUP LIMITED
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BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	2005 \$000	2004 \$000
Fixed assets			
Investments	9	623,498	623,333
Current assets			
Debtors	11	655,384	791,561
Deposits and cash		38,580	57,362
		693,964	848,923
Current liabilities			
Creditors: amounts falling due within one year	12	(590,334)	(718,879)
Net current assets		103,630	130,044
Total assets less current liabilities		727,128	753,377
Capital and reserves			
Called up share capital	13	97,955	97,904
Share premium	14	225,284	222,439
Revaluation reserve	14	380,754	380,754
Profit and loss account	14	23,135	52,280
Equity shareholders' funds		727,128	753,377

Approved on behalf of the Board on 26 June 2006



Director

MOVEMENT IN SHAREHOLDERS' FUNDS for the year ended 31 December 2005	2005 \$000	2004 \$000
Profit for the year after taxation	368,329	181,517
Dividends paid	(397,474)	(434,951)
New ordinary shares issued	2,896	-
Net movement in shareholders' funds for the year	(26,249)	(253,434)
Shareholders' funds at 1 January	753,377	1,006,811
Shareholders' funds at 31 December	727,128	753,377

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

1. Accounting policies

(i) Basis of preparation

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

The Company is exempt from the obligation to prepare and deliver Group financial statements in accordance with Section 228 of the Companies Act 1985 (as amended) as the Company is a wholly-owned subsidiary of TAI Limited, in whose financial statements it is consolidated. The financial statements therefore present information about the Company as an individual undertaking and not about its group.

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 TAI 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.

(ii) Income recognition

The Company recognises turnover and interest from group undertakings on a receivable basis. Interest income and income from shares on subsidiary undertakings are recognised on a received basis.

(iii) Currency translation

Transactions in currencies other than US dollars are recorded at the rate of exchange at the date of the transaction, or, in the case of transactions covered by forward contracts, at the contracted rate. Monetary assets and liabilities are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

(iv) Investments held as fixed assets

Investments held as fixed assets are held at cost less provisions for any impairment in value.

(v) 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 the 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, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings.

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

(vi) 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.

2. Turnover

Turnover comprises royalty payments from subsidiary companies. The table below analyses these royalty payments by the accounting address of the subsidiary from whom it is derived.

	2005 \$000	2004 \$000
United Kingdom	22,850	23,287
North America	25,334	26,283
Rest of the World	5,221	5,127
	53,405	54,697

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

	2005 \$000	2004 \$000
3. Operating profit		
Operating profit is stated after charging/(crediting):		
Currency translation adjustments	28,417	(10,557)

Audit fees were borne by another Group company in both the current and prior year.

	2005 \$000	2004 \$000
4. Interest and investment income		
Interest receivable	20	63
Interest receivable from group undertakings	-	8,064
	20	8,127

5. Employee costs

The Company employed no staff during the year (2004: none).

6. Directors' remuneration

The Directors of the Company received no remuneration for services rendered to the Company during the year (2004: \$nil).

	2005 \$000	2004 \$000
7. Tax on profit on ordinary activities		
(a) Analysis of charge for the year		
Current tax:		
UK corporation tax on profit at 30% (2004: 30%)	10,328	21,246
Total current tax (note 7(b))	10,328	21,246

(b) Factors affecting tax 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:

Profit on ordinary activities before tax	378,657	202,763
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	113,597	60,829
Effects of:		
Intra-group dividends which are non-taxable	(106,236)	(39,000)
Share of partnership	-	(2,007)
Imputed income on investment	5,147	-
Amounts written off fixed asset investment	-	179
Other including effects of exchange rates	(2,180)	1,245
Current tax charge for the year (note 7(a))	10,328	21,246

(c) Circumstances affecting current and future tax charges**Unrecognised deferred and other tax assets**

In accordance with the criteria set out in FRS19, a deferred tax asset has not been recognised for the Company's capital losses. If the Company were to generate capital gains to utilise such losses, it is expected that the full tax value of those losses at current rates would be \$73.0 million (2004: \$82.0 million).

In 1998 the Company wrote off \$16.1 million (£9.7 million) surplus advance corporation tax ("ACT"). Under FRS 16, this continues to remain a non-recoverable tax asset due to uncertainties regarding its possible recovery in the immediate future. Should events occur in future causing any amounts of the ACT to be recovered then such amounts are expected to be shown as a credit in the tax charge in the profit and loss account.

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

		2005 \$000	2004 \$000		
8. Dividends paid					
First interim paid		211,000	25,851		
Second interim paid		186,474	128,700		
Third interim paid		-	160,400		
Fourth interim paid		-	120,000		
		397,474	434,951		
	Subsidiary undertakings \$000	Associated undertaking \$000	Shares held by ESOP (c) \$000	Other investments \$000	Total \$000
9. Investments held as fixed assets					
Cost					
1 January 2005	620,102	3,079	390	748	624,319
Additions (a)	112	-	-	-	112
Additions (b)	-	53	-	-	53
Increase from associate share to subsidiary share (b)	3,132	(3,132)	-	-	-
31 December 2005	623,346	-	390	748	624,484
Provisions					
1 January and 31 December 2005	(596)	-	(390)	-	(986)
Net book value					
31 December 2005	622,750	-	-	748	623,498
31 December 2004	619,506	3,079	-	748	623,333

(a) During the year the Company increased its investment in Willis North America Inc. by \$112,500.

(b) On 22 December 2005 the Company purchased an additional 1% of the paid up capital of Willis Pudong Insurance Brokers Co. Limited at a cost of \$52,500. The Company's investment then became 51% of the paid up capital, resulting in the investment changing from an associated undertaking to a subsidiary undertaking.

(c) The Company has an Employee Stock Ownership Plan ("ESOP") which invests in the common shares of the ultimate parent company, Willis Group Holdings Limited. The trustees of the ESOP transferred 21,668 and 51,468 common shares during the years ended 31 December 2005 and 2004 respectively. At 31 December 2005 and 2004, the ESOP shares outstanding were 35,938 and 57,606 respectively, representing approximately 0.02% and 0.04% of the total common shares of Willis Group Holdings Limited. Willis Group Holdings Limited shares are listed on the New York Stock Exchange. The fair market value of the common shares held by the ESOP as at 31 December 2005 was \$1,327,550. Dividends have been waived on 35,938 common shares held by the ESOP.

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

10. Shares in subsidiary undertakings

The principal subsidiary undertakings at 31 December 2005 were:

	Country of incorporation	Class of Share	Percentage of share capital held
Insurance Broking			
Willis Limited		Ordinary	100%
Holding Company			
Willis North America Inc.*	USA	Common	99.9%
Willis Faber Limited*		Ordinary	100%
Willis International Holdings Limited		Ordinary	100%
Willis Europe BV	Netherlands	Ordinary	100%
Coyle Hamilton Holdings (UK) Limited*		Ordinary	100%
Willis UK Investments Limited*		Ordinary	100%

* Owned directly by Willis Group Limited; all other undertakings are indirectly held.

Unless otherwise indicated, undertakings are incorporated in Great Britain. All undertakings operate principally in the country of their incorporation.

	2005 \$000	2004 \$000
11. Debtors		
Due within one year:		
Amounts owed by group undertakings	640,860	774,235
Other debtors	14,033	15,045
Prepayment and accrued income	491	2,281
	655,384	791,561
12. Creditors: amounts falling due within one year	2005 \$000	2004 \$000
Amounts owed to group undertakings	577,005	697,962
Corporation tax	13,310	20,896
Accruals and deferred income	19	21
	590,334	718,879
13. Called up share capital	2005 Number	2004 Number
Authorised share capital		
Ordinary shares of 12.5p each	528,000,000	528,000,000
Allotted, issued and fully paid	2005 \$000	2004 \$000
482,048,597 (2004: 481,809,863) ordinary shares of 12.5p each	97,955	97,904

During the year the Company allotted 228,316 ordinary shares with nominal value of \$49,000 and share premium of \$2,735,000 representing payment of additional consideration in connection with the acquisition of Richard N Goldman & Co by Willis. During the year the Company also allotted 10,418 ordinary shares with a nominal value of \$2,000 and share premium of \$110,000 representing payment of additional consideration in connection with the acquisition of TCT Insurance Services Inc.

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

14. Reserves and shareholders' capital	Share capital \$000	Share premium \$000	Revaluation reserve \$000	Profit and loss account \$000	Total \$000
1 January 2005	97,904	222,439	380,754	52,280	753,377
Issue of ordinary shares	51	2,845	-	-	2,896
Retained loss for the year	-	-	-	(29,145)	(29,145)
31 December 2005	97,955	225,284	380,754	23,135	727,128

15. Contingent liabilities

The Company has given indemnities to third parties amounting to \$1,061,287 (2004: \$1,186,442).

16. Related party transactions

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

17. Parent undertakings and controlling party

The Company's immediate parent company and controlling party is TA IV Limited. The Company's ultimate parent company 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.

18. Forward sale of currency

In the United Kingdom, the Group earns revenues in a number of different currencies but expenses are almost entirely in sterling. The Group's policy within the United Kingdom is to convert into sterling all revenues arising in currencies other than US dollars together with sufficient US dollar revenues to fund the remaining sterling expenses. At 31 December 2005 the Company had entered into forward contracts for the sales of foreign currencies in which its subsidiaries have significant income. These contracts are matched by "back-to-back" contracts into the subsidiary with the foreign currency exposure. The net fair value of the forward contracts is \$nil (2004: \$nil). These forward contracts are summarised below:

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