

**WILLIS GROUP LIMITED**  
(Registered No 621757)

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**DIRECTORS**

JJ Plumeri – Chairman and Chief Executive Officer  
GJ Millwater (appointed 1 January 2007)  
PC Regan (appointed 1 January 2007)

**SECRETARY**

MP Chitty

**REGISTERED OFFICE**

Ten Trinity Square  
London EC3P 3AX

**Auditors**

Deloitte & Touche LLP  
London

WEDNESDAY



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COMPANIES HOUSE

**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 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

**Results**

The profit on ordinary activities after taxation amounted to \$136,377,000 for the year (2005 \$368,329,000)

**Future Developments**

The Directors do not anticipate any changes in the Company's activities in the foreseeable future

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.

**Dividend**

An interim dividend of \$151,700,000 was paid during the year (2005 \$211,000,000 and \$186,474,784). The Directors do not recommend the payment of a final dividend (2005 \$nil). Dividends proposed after the balance sheet date are shown in note 21.

**Principal risks and uncertainties**

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 2006 are given in note 20 of the accounts.

The Group's risks are discussed in the consolidated financial statements of Willis Group Holdings Limited, which are available from the Company Secretary, Ten Trinity Square, London EC3P 3AX.

**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 and their interests**

The current Directors of the Company are shown on page 1 which forms part of this report. T Colrairie and RJS Bucknall resigned as Directors of the Company with effect from 31 December 2006 and 31 March 2007 respectively. There were no other 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 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 judgments 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

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

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 section 234ZA 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



MP Chitty  
Secretary

Ten Trinity Square  
London EC3P 3AX

29 October 2007

**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 2006 which comprise the profit and loss account, the balance sheet, the movement in shareholders' funds, and the related notes numbered 1 to 21. 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  
Chartered Accountants and Registered Auditors  
London  
United Kingdom

2007

31 October

**PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 December 2006**

	Note	2006 \$000	2005 \$000
Turnover	2	55,600	53,405
Administrative expenses		(570)	(472)
Other operating income/(expense) – foreign exchange		37,097	(28,417)
<b>Operating profit</b>	3	<b>92,127</b>	<b>24,516</b>
Income from shares on subsidiary undertakings		73,712	354,121
Amounts written off fixed asset investments	4	(9,395)	-
Interest and investment income	5	18	20
<b>Profit on ordinary activities before taxation</b>		<b>156,462</b>	<b>378,657</b>
Tax on profit on ordinary activities	8	(20,085)	(10,328)
<b>Profit on ordinary activities after taxation</b>	16	<b>136,377</b>	<b>368,329</b>

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 \$136,377,000 in the year ended 31 December 2006 and profit of \$368,329,000 in the year ended 31 December 2005

# WILLIS GROUP LIMITED

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## BALANCE SHEET AS AT 31 DECEMBER 2006

	Note	2006 \$000	2005 \$000
<b>Fixed assets</b>			
Investments	10	614,103	623,498
<b>Current assets</b>			
Debtors	12	681,914	655,384
Deposits and cash		65,053	38,580
		746,967	693,964
<b>Current liabilities</b>			
Creditors amounts falling due within one year	14	(649,265)	(590,334)
<b>Net current assets</b>		97,702	103,630
<b>Total assets less current liabilities</b>		711,805	727,128
<b>Capital and reserves</b>			
Called up share capital	15	97,955	97,955
Share premium	16	225,284	225,284
Revaluation reserve	16	380,754	380,754
Profit and loss account	16	7,812	23,135
<b>Equity shareholders' funds</b>		711,805	727,128

Approved on behalf of the Board on 29 October 2007

PC Regan  
Director



<b>MOVEMENT IN SHAREHOLDERS' FUNDS for the year ended 31 December 2006</b>	2006 \$000	2005 \$000
Profit for the year after taxation	136,377	368,329
Dividends paid	(151,700)	(397,474)
New ordinary shares issued	-	2,896
Net movement in shareholders' funds for the year	(15,323)	(26,249)
Shareholders' funds at 1 January	727,128	753,377
<b>Shareholders' funds at 31 December</b>	<b>711,805</b>	<b>727,128</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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

**(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 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.

**(vii) 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 and 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 2006 (continued)

**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

	2006 \$000	2005 \$000
United Kingdom	23,465	22,850
North America	26,343	25,334
Rest of the World	5,792	5,221
	<b>55,600</b>	<b>53,405</b>

**3 Operating profit**

	2006 \$000	2005 \$000
Operating profit is stated after (crediting)/charging Currency translation adjustments	(37,097)	28,417

All auditors' remuneration of £5,000 (2005 £4,800) was borne by another Group company

**4 Exceptional item**

	2006 \$000	2005 \$000
Amount written off fixed asset investment	9,395	-

During the year, the Company wrote down its cost of investment in its subsidiary undertaking Coyle Hamilton Northern Ireland Limited by \$9,395,000

**5 Interest and investment income**

	2006 \$000	2005 \$000
Interest receivable	18	20

**6 Employee costs**

The Company employed no staff during the year (2005 none)

**7 Directors' remuneration**

The Directors of the Company received no remuneration for services rendered to the Company during the year (2005 \$nil)

**8 Tax on profit on ordinary activities**

	2006 \$000	2005 \$000
(a) Analysis of charge for the year		
Current tax		
UK corporation tax on profit at 30% (2005 30%)	20,811	10,328
Adjustment in respect of prior periods	(726)	-
	<b>20,085</b>	<b>10,328</b>
Deferred tax		
Adjustment to estimated recoverable amount of deferred tax assets arising in previous periods	(13,691)	-
Origination and reversal of timing differences	13,691	-
Total current tax (note 8(b))	<b>20,085</b>	<b>10,328</b>



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

## (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	156,462	378,657
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	46,938	113,597
Effects of		
Intra-group dividends which are non-taxable	(22,114)	(106,236)
Adjustment in respect of prior periods	(726)	-
Imputed income on investment	3,911	5,147
Utilisation of capital losses against capital profits of group undertaking	(13,691)	-
Amounts written off fixed asset investment	2,819	-
Other including effects of exchange rates	2,948	(2,180)
Current tax charge for the year (note 8(a))	20,085	10,328

## (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 remaining 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 \$64.5 million (2005 \$73.0 million) after taking account of the recent enactment of the UK corporation tax rate change to 28% effective from 1 April 2008 (see below).

In 1998 the Company wrote off \$16.1 million (£9.7 million) surplus advance corporation tax ("ACT"). Under FRS16, 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.

## Impact of rate change

The HM Treasury announced that the UK corporation tax rate will change to 28% as from 1 April 2008 and this change has now been enacted. This change impacts the calculation of the unrecognised deferred tax relating to capital losses, such that the unrecognised deferred tax asset could reduce by \$4.6 million to \$64.5 million.

	2006 \$000	2005 \$000
<b>9 Dividends paid</b>		
First interim paid	151,700	211,000
Second interim paid	-	186,474
	151,700	397,474

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

<b>10 Investments held as fixed assets</b>	<b>Subsidiary undertakings \$000</b>	<b>Other investments \$000</b>	<b>Total \$000</b>
<b>Cost</b>			
1 January 2006	623,346	748	624,484
31 December 2006	623,346	748	624,484
<b>Provisions</b>			
1 January 2006	(596)	-	(986)
Profit and loss charge	(9,395)	-	(9,395)
31 December 2006	(9,991)	-	(10,381)
<b>Net book value</b>			
<b>31 December 2006</b>	<b>613,355</b>	<b>748</b>	<b>614,103</b>
31 December 2005	622,750	748	623,498

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 625 and 21,668 common shares during the years ended 31 December 2006 and 2005 respectively. At 31 December 2006 and 2005, the ESOP shares outstanding were 65,313 and 35,938 respectively, representing approximately 0.04% and 0.02% 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 2006 was \$2,593,579. No dividends have been distributed on the shares held by the ESOP.

**11 Shares in subsidiary undertakings**

The principal subsidiary undertakings at 31 December 2006 were

	<b>Country of incorporation</b>	<b>Class of Share</b>	<b>Percentage of share capital held</b>
<b>Insurance Broking</b>			
Willis Limited		Ordinary	100%
<b>Holding Company</b>			
Willis North America Inc *	USA	Common	99.9%
Willis Faber Limited*		Ordinary	100%
Willis International 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.

<b>12 Debtors</b>	<b>2006 \$000</b>	<b>2005 \$000</b>
Due within one year		
Amounts owed by group undertakings	677,199	640,860
Other debtors	4,594	14,033
Prepayment and accrued income	121	491
	<b>681,914</b>	<b>655,384</b>
Due after more than one year		
Deferred tax asset (see note 13)	-	-
	<b>681,914</b>	<b>655,384</b>

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

	2006 \$000	2005 \$000
<b>13 Deferred tax</b>		
At 1 January	-	-
Reinstatement of capital losses	13,691	-
Utilisation of capital losses	(13,691)	-
At 31 December 2006	-	-

	2006 \$000	2005 \$000
<b>14 Creditors amounts falling due within one year</b>		
Amounts owed to group undertakings	614,568	577,005
Corporation tax	33,552	13,310
Accruals and deferred income	1,145	19
	649,265	590,334

	2006 Number	2005 Number
<b>15 Called up share capital</b>		
Authorised share capital		
Ordinary shares of 12 5p each	528,000,000	528,000,000

	2006 \$000	2005 \$000
<b>Allotted, issued and fully paid</b>		
482,048,597 (2005 482,048,597) ordinary shares of 12 5p each	97,955	97,955

	Share capital \$000	Share premium \$000	Revaluation reserve \$000	Profit and loss account \$000	Total \$000
<b>16 Reserves and shareholders' capital</b>					
1 January 2006	97,955	225,284	380,754	23,135	727,128
Profit on ordinary activities after taxation	-	-	-	136,377	136,377
Dividends paid	-	-	-	(151,700)	(151,700)
31 December 2006	97,955	225,284	380,754	7,812	711,805

**17 Contingent liabilities**

The Company has given indemnities to third parties amounting to \$1,054,103 (2005 \$1,061,287)

**18 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.

**19 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.

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

## 20. 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 2006 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 (2005: \$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 2007 to 31 December 2007	68.6m / 1.759	38.7m / 1.400	1,068.0m / 181.4
1 January 2008 to 31 December 2008	26.2m / 1.744	17.0m / 1.398	220.0m / 173.6
1 January 2009 to 31 December 2009	-	9.0m / 1.390	-

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

## 21. Events after the balance sheet date

On 23 July 2007 an amount of US\$450 million was credited to the Company's distributable reserves as the result of its subsidiary undertaking, Willis North America Inc, repurchasing 942 shares from the Company. On that same day, the Company received an interim dividend of \$50 million from its subsidiary undertaking, Willis Faber Limited, and the Directors declared an interim dividend of \$520 million.