

WILLIS GROUP SERVICES LIMITED

(Registered Number 1451456)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

Directors

MP Chitty
PC Regan
DB Margrett

Secretary

SK Bryant

Registered Office

51 Lime Street
London EC3M 7DQ

Auditors

Deloitte LLP
London

SATURDAY



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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

The Directors present their annual report, together with the audited financial statements, for the year ended 31 December 2008.

Principal activities and review of developments

The Company is a subsidiary of Willis Group Holdings Limited ('the 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. The Company provides financial, leasing, property holding and administrative services principally for subsidiaries of the Group. The Company's principal sources of revenue are from income on leased assets, fees receivable in respect of management services and recharges to other Group undertakings.

There have been no significant changes in the Company's principal activities in 2008. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

London headquarters

The Company provides the Group with its London headquarters. In 2004, the Company entered into an agreement to lease a new London headquarters for the Group on Lime Street and took control of the building in 2007 under a 25 year lease. In April 2008, the Group's London based employees moved into this new building.

Annual rentals for the new building are £20 million a year and we have subleased or agreed to sublease approximately 25 percent of the site under leases up to 15 years.

Results

The profit on ordinary activities after taxation amounted to £62 million (2007: £5 million loss). As shown in the profit and loss account on page 7, the Company reported an operating profit of £103 million for the year (2007: £16 million). The increase in profit is attributable to favourable foreign exchange movements partly offset by the first full years rental expense for the Lime Street building.

No interim dividend was paid in the year (2007: £nil). The Directors do not recommend the payment of a final dividend (2007: £nil).

The balance sheet on page 8 of the financial statements shows the Company's financial position at the year end.

The 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 Group, which includes the Company, is discussed in the Group's financial statements which do not form part of this report.

Principal risks and uncertainties

The Company has intercompany balances with fellow Group undertakings in currencies other than pounds sterling, its functional currency, and is therefore exposed to movements in exchange rates. The Group's treasury function takes out contracts to manage this risk at a Group level.

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

Environment

The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)**Employees**

Details of the number of employees and related costs can be found in note 4 to the financial statements on page 14.

The Company is committed to the participation and involvement of employees in the Company's business and to facilitating their personal development to its maximum potential.

Communication with employees concerning the objectives and performance of the Company is conducted through personal briefings and regular meetings, complemented by employee publications and video presentations. Feedback is continually sought from staff on a variety of business, management and human resources issues. These communication tools provide employees with the opportunity to contribute to the everyday running of the business and to support the achievement of the Company's vision and business strategy.

It is the Company's policy, in keeping with the legislation in the countries in which it operates, to provide a working environment free from all forms of harassment and discrimination, including discrimination against disabled employees, with respect to employment continuity, training, career development and other employment practices.

Directors

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.

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 section 234ZA of the Companies Act 1985.

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

Auditors

The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte LLP shall be deemed to be re-appointed as auditors for a further term.

By order of the Board



SK Bryant
Secretary
16th June 2009

51 Lime Street
London EC3M 7DQ

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WILLIS GROUP SERVICES LIMITED

We have audited the financial statements of Willis Group Services Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Movement in Shareholders' Funds and the related notes 1 to 19. 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 therein.

Basis of audit opinion

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WILLIS GROUP SERVICES LIMITED
(continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 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 LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London
United Kingdom

18 Feb 2009

WILLIS GROUP SERVICES LIMITED

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £m	2007 £m
Turnover	2	135	116
Operating expenses		(126)	(88)
Operating expenses – foreign exchange gain / (loss)		94	(12)
Operating profit	3	103	16
Finance charges, net	6	(17)	(22)
Profit / (loss) on ordinary activities before taxation		86	(6)
Tax (charge) / credit on profit / (loss) on ordinary activities	7	(24)	1
Profit / (loss) on ordinary activities after taxation		62	(5)

All activities derive from continuing operations.

RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2008

There are no recognised gains or losses in either 2008 or 2007 other than the profit or loss for those years.


WILLIS GROUP SERVICES LIMITED

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BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	2008 £m	2007 £m
Fixed assets			
Tangible assets	8	101	87
Current assets			
Debtors:			
Amounts falling due within one year	9	1,147	813
Amounts falling due after one year	9	3	6
		1,150	819
Deposits and cash		-	1
		1,150	820
Current liabilities			
Creditors: amounts falling due within one year	11	(1,164)	(883)
Net current liabilities		(14)	(63)
Total assets less current liabilities		87	24
Provisions for liabilities	12	(8)	(7)
Net assets		79	17
Capital and reserves			
Called up share capital	13	5	5
Profit and loss account	14	74	12
Shareholders' funds		79	17

The financial statements were approved by the Board of Directors and authorised for issue on 16th June 2009 and signed on its behalf by:



PC Regan
Director

MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDING 31 DECEMBER 2008

Movement in shareholders' funds	2008 £m	2007 £m
Profit / (loss) on ordinary activities after taxation	62	(5)
Net movement in shareholders' funds for the year	62	(5)
Shareholders' funds at beginning of year	17	22
Shareholders' funds at end of year	79	17

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008**1. Accounting policies****Basis of preparation**

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

The financial statements have been prepared:

- under the historical cost convention modified to include revaluation of certain fixed assets; and
- in accordance with applicable law and accounting standards in the United Kingdom.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The expectation is based on the following reasons:

- the Company is a group management company providing services within the Willis Group. It also acts as a treasury function maintaining the flow of funds from group subsidiaries;
- while the company has net current liabilities of £14 million (2007: £63 million) this is driven by the large intercompany balances and the current corporation tax creditor. If the intercompany creditors were to require settlement, the Group would provide alternative funding; and
- the Directors believe the Willis Group is a going concern.

For these reasons, the Directors continue to adopt the going concern basis in preparing the accounts. The principal risks and uncertainties are discussed in the Directors' Report.

Parent undertaking and controlling party

The Company's:

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

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

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

Revenue recognition

Turnover, which arises solely in the UK, comprises income on leased assets and fees receivable in respect of management services and recharges of expenses to other Group undertakings.

Interest receivable and interest payable are accounted for on an accruals basis.

Foreign currency translation

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

1. Accounting policies (continued)

Foreign currency translation (continued)

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

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation net of depreciation and any provision for impairment. Depreciation is calculated on a straight-line basis to write off the cost of such assets over their estimated useful economic lives as follows:

Motor vehicles	25 per cent per annum
Furniture and equipment	Between 10 and 25 per cent per annum
Software	Between 20 and 33 per cent per annum
Freehold buildings	2 per cent per annum
Short/long leaseholds	Over period of lease
Freehold land	Not depreciated

Expenditures for improvements are capitalised; repairs and maintenance are charged to expenses as incurred.

Tangible fixed assets are reviewed for impairment when events or changes in circumstance indicate that the carrying amount may not be recoverable. Any impairment in the value of tangible fixed assets is charged to the profit and loss account in the period in which the impairment occurs.

When the Company adopted FRS15 'Tangible fixed assets' in 2000, it took advantage of the transitional rules which permitted the retention of the carrying values of properties based on previously revalued amounts. The Company's principal properties, valued at 31 December 1995, will not be subject to further revaluations.

Pension costs

Certain employees participate in Willis Group Holdings Limited's UK defined benefit pension scheme. This scheme was closed to new entrants in January 2006. New entrants are now offered the opportunity to join a defined contribution scheme. The staff working for the Company are employed by Willis Limited, a fellow subsidiary undertaking of Willis Group Holdings Limited ('the Group').

Defined benefit scheme

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

1. Accounting policies (continued)*Defined benefit scheme (continued)*

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 contribution rates are based on pension costs across the Group's UK companies as a whole.

Defined contribution scheme

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

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

Taxation

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

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more or less tax, at a future date, at rates expected to apply when they reverse based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Derivative financial instruments

In prior years the Company used derivative financial instruments for other than trading purposes to alter the risk profile of an existing underlying exposure. Forward foreign currency exchange contracts were used to manage currency exposures arising from future income. Gains or losses based on the contracted rate were recognised on maturity of the contract, see note 17.

Leased assets

Rentals payable or receivable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

Cash flow statement

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

2. Turnover

Turnover arises solely in the UK and is analysed in the table below.

	2008 £m	2007 £m
Management charge	61	56
Expenses recharged to other group companies	50	43
Leased assets	14	12
Rental income	10	5
	135	116

3. Operating profit

Operating profit is stated after charging / (crediting):

Depreciation of tangible fixed assets:

Owned

12	11
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Rentals under operating leases:

Land and buildings

28	22
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Rental income

(10)	(5)
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Auditor's remuneration:

Audit fees

2008 £m	2007 £m
1	1

The Company bore the audit fees of other UK Group companies in the current and preceding year. Fees payable to the Company's auditors for the audit of the Company's annual accounts pursuant to legislation were £62,400 in 2008 and £62,400 in 2007.

The foreign exchange gain of £94m (2007: £12m loss) shown in the profit and loss account is mainly attributable to the fluctuation in the value of the pound to the US dollar and the euro during the year in relation to intercompany assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

4. Employee costs	2008 £m	2007 £m
Salaries	34	28
Social security costs	3	2
Other pension costs	3	3
	40	33
Number of employees – average for the period	2008 Number	2007 Number
Producer	1	2
Client services	36	23
Management / administration services	445	471
	482	496

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.

5. Directors' remuneration

The Directors of the Company received no remuneration for services rendered to the Company during the year (2007: £nil).

6. Finance charges, net	2008 £m	2007 £m
<i>Interest and investment income</i>		
Interest receivable on cash at bank	1	1
Interest receivable from Group undertakings	10	8
	11	9
<i>Interest payable and similar charges</i>		
Interest payable to Group undertakings	(27)	(30)
Other interest payable	(1)	(1)
	(28)	(31)
Finance charges, net	(17)	(22)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

7. Tax charge / (credit) on profit / loss on ordinary activities	2008 £m	2007 £m
<i>(a) Analysis of charge / (credit) for the year</i>		
Current tax:		
UK corporation tax on profit at 28.5% (2007: 30%)	23	(2)
Adjustments in respect of prior periods	(1)	1
Current tax charge / (credit) on profit / (loss) on ordinary activities (note 7(b))	22	(1)
Deferred tax:		
Origination and reversal of timing differences	1	-
Adjustments to the estimated recoverable amount of deferred tax arising in previous periods	1	-
Total deferred tax (note 10)	2	-
Tax charge / (credit) on profit / (loss) on ordinary activities	24	(1)
<i>(b) Factors affecting tax charge for the year</i>		
The tax assessed for the year is lower (2007: higher) than the standard rate of corporation tax in the UK (28.5%) (2007:30%). The differences are explained below:		
Profit / (loss) on ordinary activities before tax	86	(6)
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% (2007: 30%)	24	(2)
Effects of:		
Capital allowances for the year less than depreciation on qualifying assets	(1)	-
Adjustments to tax charge in respect of prior years	(1)	1
Current tax charge / (credit) for the year (note 7(a))	22	(1)

(c) Circumstances affecting current and future tax charges and credit.

Following the Finance Act 2007, the UK corporation tax rate changed from 30% to 28% on 1 April 2008.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

8. Tangible fixed assets

	Land and buildings		Furniture, equipment, software and vehicles	Assets in the course of construction	Total
	Freehold	Long/short leasehold			
	£m	£m	£m	£m	£m
<i>Cost or valuation</i>					
1 January 2008	28	7	81	47	163
Additions	1	5	9	12	27
Transfers	-	49	10	(59)	-
Disposals	-	(3)	(9)	-	(12)
31 December 2008	29	58	91	-	178
<i>Depreciation</i>					
1 January 2008	13	6	57	-	76
Provision for the year	1	2	9	-	12
Disposals	-	(3)	(8)	-	(11)
31 December 2008	14	5	58	-	77
<i>Net book value 31 December 2008</i>	15	53	33	-	101
<i>Net book value 31 December 2007</i>	15	1	24	47	87

The transitional rules of FRS15 'Tangible fixed assets' have been adopted for Group properties, which permit the retention of the carrying values at the previous revalued amounts. The Group's principal properties, valued at 31 December 1995, will not be subject to further revaluations. Other fixed assets are shown at historical cost to the Group. Any impairment in the value of fixed assets is charged to the profit and loss account in accordance with FRS11 'Impairment of fixed assets and goodwill'.

The Group's principal freehold properties were valued at 31 December 1995 on the basis of open market value for existing use. The carrying value of the revalued properties, at 31 December 2008 was £16 million (2007: £16 million), and the accumulated depreciation was £10 million (2007: £9 million). These properties would be included on an historical cost basis at £21 million (2007: £21 million) less accumulated depreciation of £21 million (2007: £20 million). No tax would be payable on the realisation of revalued properties at their net funds value by virtue of their tax base cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

9. Debtors	2008 £m	2007 £m
<i>Amounts falling due within one year:</i>		
Amounts owed by Group undertakings	1,130	799
Amounts owed by associate undertakings	1	1
Corporation tax	-	1
Other debtors	8	4
Prepayments and accrued income	8	8
	1,147	813
 <i>Amounts falling due after more than one year:</i>		
Amounts owed by Group undertakings	-	1
Deferred tax asset (note 10)	3	5
	3	6
	1,150	819

The corporation tax debtor represents amounts to be received in relation to group relief to be surrendered.

10. Deferred tax	2008 £m	2007 £m
<i>Deferred tax has been provided in full in respect of assets/liabilities arising from the following timing differences:</i>		
Capital allowances	-	3
Other provisions	3	2
	3	5
 At 1 January	 5	 5
Deferred tax (charge) in profit and loss account (note 7 (a))	(2)	-
 At 31 December	 3	 5

Deferred tax assets have been recognised to the extent they are regarded as more likely than not as being recoverable either against the Company's own future profits or by way of group relief against those future profits of fellow UK Group companies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

11. Creditors: amounts falling due within one year	2008 £m	2007 £m
Amounts owed to Group undertakings	1,059	817
Amounts owed to associate undertakings	3	-
Corporation tax	24	-
Income tax and social security	7	6
Other creditors	67	56
Accruals and deferred income	4	4
	1,164	883

12. Provisions for liabilities	Exceptional restructuring provision £m
1 January 2008	7
Charged to profit and loss account	5
Utilised in the year	(4)
31 December 2008	8

Exceptional restructuring provision

The provision is in respect of properties no longer required for operational purposes. The majority (£7 million) will be utilised in the next 2 years, of which £5 million relates to Camomile Street, London. This lease expires 20 March 2011.

13. Called up share capital	2008 Number (million)	2007 Number (million)
Authorised share capital		
Ordinary shares of £1 each	5	5
	2008 £m	2007 £m
Allotted, called up and fully paid		
5,000,000 (2007: 5,000,000) ordinary shares of £1 each	5	5

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

14. Reserves and shareholders' capital	Share capital £m	Profit and loss account £m	Total £m
1 January 2008	5	12	17
Profit on ordinary activities after taxation	-	62	62
31 December 2008	5	74	79

15. Commitments

The Company had contracted for but not provided for capital expenditure at 31 December 2008 of £7 million (2007: £22 million).

Annual commitments under non-cancellable operating leases are as follows:

Lease expiry date	Land and buildings		Total 2008 £m	2007 £m
	Lime Street 2008 £m	Other 2008 £m		
	Within one year	-		
Between two and five years	-	7	7	7
After five years	18	2	20	20
Total annual operating lease commitments	18	9	27	30

The Company provides the Group with its London headquarters. In November 2004, the Company entered into a 25 year agreement with long time client British Land plc to lease the new London headquarters for the Group on Lime Street, London. The Company took control of the building in June 2007 and the Group's London based employees moved into the new building at the end of April 2008. As at 31 December 2008, the outstanding contractual obligation in relation to this commitment was £493 million (2007: £493 million).

16. Pensions

Defined Benefit Scheme

Certain employees of the Company are members 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 2007. The most recent actuarial valuation has been reviewed and updated as at 31 December 2008 to take account of the requirements of FRS17 'Retirement Benefits', in order to assess the liabilities of the Scheme at 31 December 2008.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (continued)

16. Pensions (continued)

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 \$96 million (£66 million) at 31 December 2008 compared with an overall surplus after tax of \$324 million (£164 million) at 31 December 2007. Company contribution rates were 14.4% of pensionable earnings in both 2007 and 2008. In addition, the Scheme contributions increased to the rate of 6% in 2007 and to the rate of 8% in 2008 for all employed members.

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

The Scheme was closed to new members from 1 January 2006.

Defined Contribution Scheme

The Company operated a defined contribution scheme for new entrants from 1 January 2006 for which the pension cost charge for the year amounted to £436,000 (2007: £259,000).

17. Contracted currency purchase agreements

Willis Group Services Limited had entered into contracts to purchase US dollars at a fixed exchange rate with two fellow subsidiaries as follows:

On 1 October 2004 the Company agreed with Willis Iberia, a fellow subsidiary based in Spain, to purchase all of the US dollars held in any Willis Iberia US dollar denominated bank account, up to a maximum of US\$10 million in aggregate in each calendar year, up to and including 2009 at a fixed rate of US\$1.25 to €1. The agreement may be terminated by either party at any time within 14 days of the US dollar to Euro closing mid price per the Financial Times being quoted outside the range of 1.05 to 1.45 for five consecutive trading days.

On 1 January 2005 the Company agreed with Willis AS, a fellow subsidiary based in Norway, to purchase all of the US dollars held in any Willis AS US dollar denominated bank account, up to a maximum of US\$10 million in aggregate in each calendar year, up to and including 2007 at a fixed rate of 7 NOK to US\$1. The agreement may be terminated by either party at any time within 14 days of the US dollar to Norwegian Kroner closing mid price per the Financial Times being quoted outside the range of 5.5 to 8.5 for five consecutive trading days.

In both cases the relevant US dollar price traded outside these ranges for more than five consecutive trading days and, as a consequence, the arrangement was terminated by the Company, with effect from the end of 2007. No replacement arrangement has been put in place.

18. Contingent liabilities

The Company has given guarantees and indemnities to bankers and other third parties amounting to £16,000 (2007: £16,000).

19. Related party transactions

FRS8 (paragraph 3(c)) exempts the reporting of transactions between Group companies in the financial statements of companies 90% or more of whose voting rights are controlled within the Group. The Company has taken advantage of this exemption. There are no other transactions requiring disclosure.
