WILLIS GROUP SERVICES LIMITED

(Registered Number 1451456)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

Directors

MP Chitty
PC Regan (appointed 1 January 2007)

Secretary

SK Bryant

Registered Office

51 Lime Street
London EC3M 7DQ

Auditors

Deloitte & Touche LLP
London

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

The Directors present their annual report, together with the audited financial statements, for the year ended 31 December 2007

Principal activities and review of developments

The Company provides financial, leasing, property holding and administrative services principally for subsidiaries of Willis Group Holdings Limited (the Group) The Company's principal sources of revenue are 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 2007 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 The Group's London based employees will all have moved into this new building by the end of April 2008

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 long As at 31 December 2007, the outstanding contractual obligation for lease rentals was £478 million

In September 2006, as a consequence of the anticipated move into the new building, the Company sold the Group's previous London headquarters building in Ten Trinity Square and leased it back until 30 April 2008 at an annual rental of £6 million per annum The Company recognised a profit on the sale of the building of £66 million in 2006

Results

As shown in the profit and loss account on page 7, the Company reported an operating profit of £16 million for the year (2006 operating loss of £16 million) The £32 million improvement is attributable to

- increased fees receivable in respect of management services,
- favourable foreign exchange movements, and
- non recurrence of 2006 expenditure on initiatives to support the Group's long term Shaping our Future strategy,

partly offset by

- increased rental expenses reflecting a full year's leaseback costs for the old London headquarters building and six months rental expense on the new London headquarters in Lime Street, London

The Company incurred a loss on ordinary activities after taxation of £5 million, compared with a profit of £38 million in 2006 as the £32 million improvement in operating profit was more than offset by

- the impact of the £66 million gain on the sale of the old London headquarters building and
- an increase in interest payable to Group undertakings,

No interim dividend was paid in the year (2006 £40 million) The Directors do not recommend the payment of a final dividend (2006 £nil)

The balance sheet on page 8 of the financial statements shows the Company's financial position at the year end The decrease in net assets due to the net loss for the period and the £42 million capital spend on the new London headquarters have been funded by an increase in inter-company borrowings

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

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 Global division 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

Employees

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

Details of the number of employees and related costs can be found in note 3 to the financial statements on page 13

Directors and their interests

The current Directors of the Company are shown on page 1, which forms part of this report PC Regan and DB Margrett were appointed as Directors of the Company with effect from 1 January 2007 and 28 February 2007 respectively There were no other 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

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

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

By order of the Board

S K Bryant
Secretary

9th April 2008

51 Lime Street
London EC3M 7DQ

We have audited the financial statements of Willis Group Services Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Movement in Shareholders' Funds and the related notes 1 to 20 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 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

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 2007 and of its loss 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
5 May 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £m	2006 £m
Turnover		**116**	95
Operating expenses		**(100)**	(111)
Operating profit / (loss)	2	**16**	(16)
Finance charges, net	5	**(22)**	(16)
Profit on disposal of tangible fixed assets	6	**-**	66
(Loss) / profit on ordinary activities before taxation		**(6)**	34
Tax credit on (loss) / profit on ordinary activities	7	**1**	4
(Loss) / profit on ordinary activities after taxation		**(5)**	38

All activities derive from continuing operations

RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2007

There are no recognised gains or losses in either 2007 or 2006 other than the (loss) / profit for those years

BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	2007 £m	2006 £m
Fixed assets			
Tangible assets	9	**87**	44
Current assets			
Debtors			
Amounts falling due within one year	10	**813**	737
Amounts falling due after one year	10	**6**	6
		819	743
Deposits and cash		**1**	-
		820	743
Current liabilities			
Creditors amounts falling due within one year	12	**(883)**	(760)
Net current liabilities		**(63)**	(17)
Total assets less current liabilities		**24**	27
Provisions for liabilities	13	**(7)**	(5)
Net assets		**17**	22
Capital and reserves			
Called up share capital	14	**5**	5
Profit and loss account	15	**12**	17
Equity shareholders' funds		**17**	22

The financial statements were approved by the Board of Directors and authorised for issue on 10 April 2008 and signed on its behalf by

MP Chitty
Director

MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDING 31 DECEMBER 2007

Movement in shareholders' funds	2007 £m	2006 £m
(Loss) / profit on ordinary activities after taxation	(5)	38
Dividends paid	-	(40)
Net movement in shareholders' funds for the year	(5)	(2)
Shareholders' funds at beginning of year	22	24
Shareholders' funds at end of year	17	22

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

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

Parent undertaking and controlling party

The Company's

- immediate parent company and controlling undertaking is Willis Faber Limited, and
- ultimate parent 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')

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

1. Accounting policies (continued)

Tangible fixed assets (continued)

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

The Company participates 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 pension 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 assets or liability, net of the related deferred tax, is presented separately after other net assets on the face of Willis Limited's balance sheet

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

1. Accounting policies (continued)

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 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

The Company uses derivative financial instruments for other than trading purposes to alter the risk profile of an existing underlying exposure Forward foreign currency exchange contracts are used to manage currency exposures arising from future income Gains or losses based on the contracted rate are recognised on maturity of the contract

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

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

2 Operating profit / (loss)	2007 £m	2006 £m
Operating profit / (loss) is stated after charging / (crediting)		
Depreciation of tangible fixed assets		
Owned	**11**	13
Rentals under operating leases		
Land and buildings	**22**	8
Rental income	**(5)**	(4)

Auditor's remuneration	2007 £m	2006 £m
Audit fees	**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 financial statements pursuant to legislation were £62,400 in 2007 and £60,000 in 2006

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

3. Employee costs	2007 £m	2006 £m
Salaries	**28**	33
Social security costs	**2**	1
Other pension costs	**3**	3
	33	37

Number of employees – average for the period	2007 Number	2006 Number
Producer	**2**	-
Client services	**23**	13
Management / administration services	**471**	496
	496	509

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

4. Directors' remuneration

The Directors of the Company received no remuneration for services rendered to the Company during the year (2006 £nil)

5. Finance charges, net	2007 £m	2006 £m
Interest and investment income		
Interest receivable on cash at bank	**1**	2
Interest receivable from Group undertakings	**8**	2
	9	4
Interest payable and similar charges		
Interest payable to Group undertakings	**(30)**	(19)
Other interest payable	**(1)**	(1)
	(31)	(20)
Finance charges, net	**(22)**	(16)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

6 Profit on disposal of tangible fixed assets	2007 Total £m	2006 Group UK headquarters £m	2006 Other £m	2006 Total £m
Proceeds of sale	1	105	1	106
Net book value disposed of	(1)	(35)	(1)	(36)
Other costs of disposal	-	(4)	-	(4)
Profit on disposal of tangible fixed assets	-	66	-	66
Tax charge attributable to the profit on disposal of tangible fixed assets (note 7(b))	-	(5)	-	(5)

On 27 September 2006 the Company completed the sale of the Group's UK headquarters located at Ten Trinity Square in London to Ten Trinity Square Limited the buyer, which is an affiliate of the American retail, hotel and leisure development firm Thomas Enterprises, Inc The Company is leasing back the building until it moves into its new head office building in Lime Street, London, which is due to be completed in April 2008

7. Tax credit on (loss) / profit on ordinary activities	2007 £m	2006 £m
(a) Analysis of credit for the year		
Current tax		
UK corporation tax on profit at 30% (2006 30%)	(2)	(2)
Adjustments in respect of prior periods	1	1
Current tax credit on (loss) / profit on ordinary activities (note 7(b))	(1)	(1)
Deferred tax		
Origination and reversal of timing differences	-	(3)
Total deferred tax (note 11)	-	(3)
Tax credit on (loss) / profit on ordinary activities	(1)	(4)
(b) Factors affecting tax credit for the year		
The tax assessed for the year is higher (2006 lower) than the standard rate of corporation tax in the UK (30%) The differences are explained below		
(Loss) / profit on ordinary activities before tax	(6)	34
(Loss) / profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	(2)	10
Effects of		
Movements in short term timing differences	-	1
Capital allowances for the year less than depreciation on qualifying assets (note 7(c))	-	2
Reduction in capital gain by March 1982 valuation and inflationary factor (note 7(c))	-	(15)
Adjustments to tax charge in respect of prior years	1	1
Current tax credit for the year (note 7(a))	(1)	(1)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

7. Tax credit on (loss) / profit on ordinary activities (continued)

(c) Circumstances affecting current and future tax charges and credits

Following the Finance Act 2007, the UK corporation tax rate changed from 30% to 28% on 1 April 2008 In addition to impacting future tax charges, this change had an impact in 2007 on deferred tax In particular the Company's opening deferred tax assets were reduced by £303,000

During the year the Company incurred £42 million (2006 £5 million) expenditure on assets in the course of construction (note 9) Not all of these assets may qualify for capital allowances and hence any future depreciation of non-qualifying assets would result in an effective increase in the total tax charge

In 2006 the Company sold its freehold interest in Ten Trinity Square, London The capital gain on the building was reduced by using a market value for the property as at 31 March 1982 and adjusting for an inflationary factor as permitted under the Taxation of Chargeable Gains Act 1992 In addition the Company elected with the purchaser to transfer the assets eligible for capital allowances for £1 The combined effect of these was to reduce the tax charge on disposal to approximately 5% of the proceeds (note 6)

8. Dividends paid	2007 £m	2006 £m
First interim paid	-	40

9. Tangible fixed assets

	Land and buildings Freehold	Short leasehold	Furniture, equipment, software and vehicles	Assets in the course of construction	Total
	£m	£m	£m	£m	£m
Cost or valuation					
1 January 2007	27	7	73	5	112
Additions	1	-	12	42	55
Disposals	-	-	(4)	-	(4)
31 December 2007	28	7	81	47	163
Depreciation					
1 January 2007	12	4	52	-	68
Provision for the year	1	2	8	-	11
Disposals	-	-	(3)	-	(3)
31 December 2007	13	6	57	-	76
Net book value 31 December 2007	**15**	**1**	**24**	**47**	**87**
Net book value 31 December 2006	15	3	21	5	44

9. Tangible fixed assets (continued)

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 2007 was £16 million (2006 £16 million), and the accumulated depreciation was £9 million (2006 £9 million) These properties would be included on an historical cost basis at £21 million (2006 £21 million) less accumulated depreciation of £20 million (2006 £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

10. Debtors	**2007 £m**	2006 £m
Amounts falling due within one year		
Amounts owed by Group undertakings	**799**	720
Amounts owed by associates	**1**	-
Corporation tax	**1**	9
Other debtors	**4**	1
Prepayments and accrued income	**8**	7
	813	737
Amounts falling due after more than one year.		
Amounts owed by Group undertakings	**1**	1
Deferred tax asset (note 11)	**5**	5
	6	6
	819	743

11. Deferred tax	**2007 £m**	2006 £m
Deferred tax has been provided in full in respect of assets/liabilities arising from the following timing differences·		
Capital allowances	**3**	3
Other provisions	**2**	2
	5	5
At 1 January	**5**	2
Deferred tax charge in profit and loss account (note 7 (a))	**-**	3
At 31 December	**5**	5

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

11. Deferred tax (continued)

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

12. Creditors· amounts falling due within one year	**2007 £m**	2006 £m
Amounts owed to Group undertakings	**817**	720
Income tax and social security	**6**	7
Other creditors	**56**	29
Accruals and deferred income	**4**	4
	883	760

13. Provisions for liabilities	**Exceptional restructuring provision £m**
1 January 2007	**5**
Profit and loss account movements	**3**
Used in the year	**(1)**
31 December 2007	**7**

The exceptional restructuring provision is in respect of properties no longer required for operational purposes

14. Called up share capital	**2007 Number (million)**	2006 Number (million)
Authorised share capital		
Ordinary shares of £1 each	5	5

	2007 £m	2006 £m
Allotted, issued and fully paid		
5,000,000 (2006 5,000,000) ordinary shares of £1 each	5	5

15. Reserves and shareholders' capital	Share capital £m	Profit and loss account £m	Total £m
1 January 2007	5	17	22
Loss on ordinary activities after taxation	-	(5)	(5)
31 December 2007	5	12	17

Included in the profit and loss account is an undistributable reserve of £7,000 (2006 £7,000)

16. Commitments

The Company had contracted but not paid for capital expenditure at 31 December 2007 of £22 million (2006 £10 million)

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

	Land and buildings			
	Lime Street	Other	Total	
	2007	2007	2007	2006
Lease expiry date	£m	£m	£m	£m
Within one year	-	3	3	-
Between two and five years	-	7	7	11
After five years	19	1	20	16
Total annual operating lease commitments	19	11	30	27

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 will have moved in to the new building by the end of April 2008 As at 31 December 2007, the outstanding contractual obligation in relation to this commitment was £478 million

17. Pensions

The Company participates 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

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

17. Pensions (continued)

Defined Benefit Scheme (continued)

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 2007 to take account of the requirements of FRS17 "Retirement Benefits", in order to assess the liabilities of the Scheme at 31 December 2007

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 $324 1 million (£163 7 million) at 31 December 2007 compared with an overall surplus after tax of $147 8 million (£75 4 million) at 31 December 2006 Company contribution rates decreased from 14 6% to 14 4% of pensionable earnings with effect from 1 January 2007 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 members from 1 January 2006

18. 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 the 2007 No replacement arrangement has been put in place

19. Contingent liabilities

The Company has given guarantees and indemnities to bankers and other third parties amounting to £16,000 (2006 £24,300)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

20. 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