WILLIS JAPAN LIMITED

(Registered No. 1689758)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

DIRECTORS

MP Chitty
Willis Corporate Director Services Limited (appointed 29 September 2006)

SECRETARY

SK Bryant

REGISTERED OFFICE

Ten Trinity Square
London EC3P 3AX

AUDITORS

Deloitte & Touche LLP
London

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

The Directors present their annual report, together with the audited financial statements, for the year ended 31 December 2005.

PRINCIPAL ACTIVITY AND REVIEW OF DEVELOPMENTS

The Company has a branch office in Tokyo, Japan, which assists in Japanese retail insurance, international insurance and reinsurance activities. Subject to certain restructuring within the Willis Group, the Company will cease to conduct its insurance broking business in Japan and would cancel the registration of its Tokyo branch.

RESULTS

The loss on ordinary activities after taxation amounted to £150,000 (2004: £3,000 loss).

FUTURE DEVELOPMENTS

The Company does not anticipate any changes to its business in the coming years.

DIVIDENDS

No interim dividend was paid during the year (2004: £nil). The Directors do not recommend the payment of a final dividend (2004: £nil).

DIRECTORS AND THEIR INTERESTS

The present Directors of the Company are named on page 1 which forms part of this report. MDT Faber resigned as a director with effect from 30 December 2005 and Willis Corporate Director Services Limited was appointed as a Director on 29 September 2006. The Directors have no disclosable interests in the shares of the company or its fellow group companies. Advantage has been taken of the provisions of the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The Directors are required to report on their responsibilities in relation to the preparation of financial statements for each financial year and the following statement should be read in conjunction with the auditors' statement of their responsibilities set out on page 4.

United Kingdom company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year. The Directors are required to prepare the financial statement on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the accounts on pages 5 to 12 the Directors consider that:

(a) they have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates;
(b) all applicable accounting standards have been followed; and
(c) it is appropriate to prepare the financial statements on the going concern basis.

The Directors have responsibility for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985 (as amended).

The Directors are also responsible for the system of internal control, for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

AUDITORS

The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386(2) of the Companies Act 1985.

By Order of the Board

SK Bryant
Secretary

20 October 2006
Ten Trinity Square
London EC3P 3AX

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WILLIS JAPAN LIMITED

We have audited the financial statements of Willis Japan Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, movement in shareholders' funds and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors
As described in the statement of the Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

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

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

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

Opinion
In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its loss for the year then ended; and

- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

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

23 October 2006

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 £000	2004 £000
Operating revenue	3	3,613	3,190
Operating expenses		3,824	3,184
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(211)	6
Tax on (loss)/profit on ordinary activities	7	(61)	9
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(150)	(3)
RETAINED LOSS	14	(150)	(3)

All activities derive from continuing operations.

RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2005

There are no recognised gains or losses other than the loss attributable to shareholders of the Company of £150,000 in the year ended 31 December 2005 and loss of £3,000 in the year ended 31 December 2004, accordingly no statement of total recognised gains and losses is presented.

BALANCE SHEET AT 31 DECEMBER 2005

	Note	2005 £000	2004 £000
FIXED ASSETS			
Tangible assets	8	117	135
CURRENT ASSETS			
Debtors	9	1,085	1,005
Deposits and cash		194	385
		1,279	1,390
CURRENT LIABILITIES			
CREDITORS: amounts falling due within one year	11	857	836
NET CURRENT ASSETS		422	554
TOTAL ASSETS LESS CURRENT LIABILITIES		539	689
CREDITORS: amounts falling due after more than one year	12	460	460
		79	229
CAPITAL AND RESERVES			
Called up share capital	13	1	1
Profit and loss account	14	78	228
EQUITY SHAREHOLDER'S FUNDS		79	229

These financial statements were approved by the Board of Directors on 20 october 2006 and signed on its behalf.

MP Chitty
Director

MOVEMENT IN SHAREHOLDER'S FUNDS FOR THE YEAR ENDED 31 DECEMBER 2005

	2005 £000	2004 £000
Loss for the financial year	(150)	(3)
Net movement in shareholder's funds for the year	(150)	(3)
Shareholder's funds at 1 January	229	232
Shareholder's funds at 31 December	79	229

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

1. ULTIMATE PARENT COMPANY

The Company's immediate parent company and controlling party is Willis Faber Limited. The ultimate parent company and controlling party is Willis Group Holdings Limited, a company incorporated in Bermuda, whose group financial statements are available from the Company Secretary, Ten Trinity Square, London EC3P 3AX.

The largest group in which the results of the Company are consolidated is that headed by Willis Group Holdings Limited, with the smallest group being headed by TA I Limited. The financial statements for these groups are available to members of the public from the Company Secretary, Ten Trinity Square, London EC3P 3AX.

2. *ACCOUNTING POLICIES*

(a) Basis of preparation
These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain land and buildings) and comply with applicable law and accounting standards in the United Kingdom.

(b) Turnover
The Company takes credit for brokerage and fee income at the date when the insured is debited or at the inception date of the policy, whichever is the later.

(c) Currency translation
Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction, or, in the case of forward contracts, in respect of the current year's income, at the contracted rate. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Differences arising from trading activities are dealt with in the profit and loss account.

(d) Depreciation
Depreciation is calculated on a reducing balance basis at rates estimated to write down the value of assets, to their residual value, over their expected useful lives. The following depreciation rates have been used:

Leasehold Improvements	14.2% per annum
Furniture & Equipment	Between 14.2% and 36.9% per annum

(e) Deferred taxation
Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more or less tax, at a future date, at rates expected to apply when they reverse based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(f) Operating leases
Rentals payable in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

(g) Pensions
Japanese staff retirement allowance
Japanese staff are entitled to a lump sum retirement allowance when they retire. The cost of providing the retirement allowance is charged to the profit and loss account over the service life of the employees', and is based on the cumulative length of qualifying service of each employee.

UK staff pensions
The Company participates in a group defined benefit pension scheme for UK staff. The regular cost of providing benefits is charged to operating profit over the employees' service lives on the basis of a constant percentage of pensionable earnings. Variations from regular cost, arising from periodic actuarial valuations, are allocated to operating profit on a systematic basis over the expected remaining service lives of current employees. Pension contributions charged to the Company are based on pension costs across the Group's UK companies as a whole.

(h) Cash flow statement
Under FRS1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is prepared at Group level.

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

3. OPERATING REVENUE

The table below analyses the Company's operating revenue by the accounting address of the client from whom the business is derived. This does not necessarily reflect the original source or location of the business.

	2005 £000	2004 £000
United Kingdom	2,325	1,807
North America	128	131
Rest of the World	1,160	1,252
	3,613	3,190

United Kingdom and North America represents fees received from group undertakings as reimbursement for services performed on their behalf. The Rest of the World represents income derived from insurance activities in Japan.

4. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2005 £000	2004 £000
The (loss)/profit on ordinary activities before taxation was arrived at after charging:		
Depreciation on:		
Leasehold property	9	6
Owned assets	17	16
Loss on disposal:		
Fixed assets	5	9
Operating lease rentals:		
Land and buildings	143	92

The 2005 and 2004 audit fees were borne by another Group undertaking.

5. EMPLOYEE COSTS

	2005 £000	2004 £000
Employee costs during the year consisted of:		
Salaries	2,139	1,931
Social security costs	269	165
Pension costs	81	73
	2,489	2,169

	2005 Number	2004 Number
Number of employees - average for the year	33	30

Certain members of staff working for the Company in the United Kingdom 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.

6. DIRECTORS' REMUNERATION

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

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

7. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2005 £000	2004 £000
(a) Analysis of (credit)/charge for the year		
Current tax:		
UK corporation tax on (loss)/profits at 30% (2004: 30%)	(34)	28
Adjustments in respect of prior periods	2	(12)
	(32)	16
Foreign tax on profits for the year	3	1
Total current tax (note 7(b))	(29)	17
Deferred tax:		
Origination and reversal of timing differences	(32)	(8)
Total deferred tax (note 10)	(32)	(8)
Tax on (loss)/profit on ordinary activities	(61)	9

(b) Factors affecting tax (credit)/charge for the year

	2005 £000	2004 £000
The tax assessed for the year is lower/higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
(Loss)/profit on ordinary activities before tax	(211)	6
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	(63)	2
Effects of:		
Timing difference on pension provision	16	14
Expenses not deductible for tax purposes	(3)	18
Depreciation for the year in excess of capital allowances	16	(6)
Irrecoverable foreign tax	3	1
Adjustment to tax charge in respect of previous years	2	(12)
Current tax (credit)/charge for the year (note 7(a))	(29)	17

(c) Factors that may affect future tax charges
In line with the stated accounting policy, the Group's future tax charges will continue to recognise deferred tax assets which have arisen from timing differences relating to the taxation of provisions.

8. TANGIBLE ASSETS

	Leasehold improvements £000	Furniture and equipment £000	Total £000
Cost:			
1 January 2005	69	197	266
Additions	1	12	13
Disposals	-	(57)	(57)
31 December 2005	70	152	222
Depreciation:			
1 January 2005	6	125	131
Provided in year	9	17	26
Disposals	-	(52)	(52)
31 December 2005	15	90	105
Net book value 31 December 2005	55	62	117
Net book value 31 December 2004	63	72	135

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

		2005	2004
8.	TANGIBLE ASSETS (continued)	£000	£000
	Net book value of land and buildings:		
	Leasehold: Short	55	63

		2005	2004
9.	DEBTORS	£000	£000
	Due within one year:		
	Amounts owed by group undertakings	669	714
	Other debtors	311	218
		980	932
	Due after more than one year:		
	Deferred tax asset (see note 10)	105	73
		1,085	1,005

		2005	2004
10.	DEFERRED TAX	£000	£000
	The deferred tax included in the balance sheet is as follows:		
	Included in debtors (note 9)		
	Deferred tax consists of:		
	Timing differences on pension provision	90	74
	Timing differences on capital allowances	15	(1)
		105	73
	At 1 January	73	65
	Deferred tax credit in profit and loss account (note 7(a))	32	8
	At 31 December	105	73

		2005	2004
11.	CREDITORS: amounts falling due within one year	£000	£000
	Amounts owed to group undertakings	1	303
	Corporation tax	-	49
	Accruals and deferred income	856	484
		857	836

Included within accruals and deferred income is £299,429 (2004: £247,074) in respect of an unfunded retirement allowance. The allowance is provided for officers and employees of the Tokyo branch based on length of service, standard monthly salary at date of termination and whether termination is voluntary or involuntary (involuntary termination is considered to occur upon mandatory retirement at the age of 60, death or certain other instances). The reserve for retirement allowance within accruals represents 100% of the aggregate liability computed under the assumption that all officers and employees involuntarily terminate at the balance sheet date.

		2005	2004
12.	CREDITORS: amounts falling due after more than one year	£000	£000
	Amounts owed to group undertakings	460	460

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

13. CALLED UP SHARE CAPITAL

	2005 £000	2004 £000
Authorised, allotted, issued and fully paid:		
1,000 ordinary shares of £1 each (2004: 1,000)	1	1

14. PROFIT AND LOSS ACCOUNT

	2005 £000	2004 £000
1 January	228	231
Retained loss for the year	(150)	(3)
31 December	78	228

15. PENSIONS

Certain members of the staff working for the Company are entitled to be members of the Willis Pension Scheme in the United Kingdom ("the Scheme"), which is funded externally and is of the defined benefit type. The members of staff working for the Company are employed by Willis Limited, a fellow subsidiary undertaking of Willis Group Holdings Limited. The pension cost to the Company is based on the contribution rates assessed in accordance with the advice of professionally qualified actuaries using the projected unit credit method. The pension contributions rates are based on pension costs across the Group's UK companies as a whole.

The most recent actuarial valuation of the Scheme was at 31 December 2004. The most recent actuarial valuation has been reviewed and updated as at 31 December 2005 to take account of the requirements of FRS17 "Retirement Benefits", in order to assess the liabilities of the Scheme at 31 December 2005.

The Directors consider that the share of the Scheme's underlying assets and liabilities attributable to the Company's employees cannot be separately identified. Accordingly all scheme assets and liabilities are included on the balance sheet of Willis Limited. The Scheme showed an overall deficit of $102.8 million (£59.8.million) at 31 December 2005 compared with an overall deficit of $157.3 million (£81.9 million) at 31 December 2004. Company contribution rates increased from 14.1 % to 14.5% of pensionable earnings with effect from 1 January 2005. In addition, the Scheme became contributory for employed members who joined pre-1995 at the rate of 2% in 2005 and 4% in 2006 to bring their contributions in line with employed members who joined post-1995.

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

16. COMMITMENTS

	Land & Buildings	
	2005 £000	2004 £000
Operating lease commitments		
Payments committed to be made within one year by the Company for leases expiring:		
in less than one year	34	111
between two and five years	-	37
After five years	-	-
Total operating lease commitments	34	148

17. RELATED PARTY TRANSACTIONS

FRS8 exempts the reporting of transactions between Group companies. The Company has taken advantage of this exemption. There are no other transactions to be disclosed.