UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported): June 21, 2006

WILLIS GROUP HOLDINGS LIMITED

(Exact name of registrant as specified in its charter)

Bermuda
(Jurisdiction of incorporation or organization)

001-16503	**98-0352587**
(Commission file number)	(I.R.S. Employer Identification No.)

c/o Willis Group Limited
Ten Trinity Square, London EC3P 3AX, England
(Address of principal executive offices)

(011) 44-20-7488-8111
(Registrant's telephone number, including area code)

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01—Other Events

This Form 8-K is being filed by Willis Group Holdings Limited ("Willis Group Holdings") and subsidiaries (collectively the "Company") to:

· adjust Items 6, 7 and 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2005 (the "Annual Report") to retrospectively reflect changes in accounting policies and the Company's internal reporting structure that were effective January 1, 2006; and

· in anticipation of Willis Group Holdings filing a new shelf registration to provide certain additional financial information regarding its subsidiaries that may guarantee offered debt securities potentially issuable under the shelf registration.

These events are discussed in more detail below.

Changes in accounting policies and the Company's internal reporting structure

With effect from January 1, 2006, the Company:

· adopted SFAS 123R, *Share-based payment*, using the modified-retrospective transition method;

· changed the methodology used to determine the market-related value of UK pension plan assets; and

· revised its revenue analysis to reflect a change in its reporting structure and the method of allocating revenue between divisions.

Share-based compensation—Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS 123R, using the modified-retrospective transition method. Under that transition method, compensation cost recognized from January 1, 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123, *Accounting for Stock-Based Compensation*, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123R.

Pensions—SFAS 87, *Employers' Accounting for Pensions*, requires the expected return on plan assets to be determined based on the expected long-term rate of return on plan assets and the market-related value of plan assets. The market-related value of plan assets may either be a fair value or a calculated value that recognizes changes in a systematic and rational manner over not more than five years. The Company has two principal defined benefit plans: one in the United Kingdom and the other in the United States. Up to December 31, 2005, the market-related value of UK pension plan assets was determined using a calculated value that recognized asset gains or losses over five years. Effective January 1, 2006, the Company changed its method for determining the market-related value of UK pension plan assets to a fair value basis. The Company believes that fair value is a preferable measure of determining the market-related value of plan assets as it more fairly reflects the actual value of pension plan assets as of the balance sheet date. In addition, it brings the methodology used for calculating the market-related value of UK plan assets in line with the fair value methodology already used to value US plan assets.

Revenue analysis—Following a change to our reporting structure, effective January 1, 2006, North America Global Markets and International Global Markets revenues, which were previously reported within our Global division, are now reported in the North America and International divisions, respectively. At the same time we refined our method of allocating revenues between the Global and North America divisions. We have retrospectively adjusted our revenue analysis in Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations" to be consistent with the new internal reporting structure. There is no impact on the financial statements.

Adjusted selected historical financial data for the five years ended December 31, 2005, that were originally filed as Part II, Item 6 of the Annual Report, are attached as Exhibit 99.01. An adjusted Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2005 that was originally filed as Part II, Item 7 of the Annual Report is attached as Exhibit 99.02. Adjusted audited consolidated financial statements for the three years ended December 31, 2005 that were originally filed as Part II, Item 8 of the Annual Report are attached as Exhibit 99.03.

Additional financial information for subsidiaries that may guarantee Subsidiary Debt Securities potentially issuable under a new shelf registration

Willis Group Holdings intends to file a new shelf registration on Form S-3 under which it may offer debt securities, preferred stock, common stock and other securities. In addition, Trinity Acquisition Limited or Willis North America Inc., each an indirectly wholly-owned subsidiary of Willis Group Holdings, may offer debt securities ("the Subsidiary Debt Securities"). The Subsidiary Debt Securities, if issued, will be guaranteed by certain subsidiaries of Willis Group Holdings.

Rule 3-10 of Regulation S-X requires that the Company's financial statements incorporated by reference into the registration statement include certain financial information regarding the subsidiaries that will guarantee the Subsidiary Debt Securities when issued. This financial information is already included in the Company's 2005 Form 10-K and first quarter 2006 Form 10-Q in respect of Willis North America Inc.. In order to provide this information for Trinity Acquisition Limited, Footnote 19 has been added to the Company's adjusted audited consolidated financial statements for the year ended December 31, 2005 attached as Exhibit 99.03, and Footnote 13 has been added to the Company's unaudited condensed consolidated statements for the quarter ended March 31, 2006, that were originally filed as Part 1, Item 1 of the Form 10-Q, attached as exhibit 99.04.

Other than the changes reflected in the items in this filing, this Form 8-K does not modify or update the disclosures in the Form 10-K and Form 10-Q in any way.

Item 9.01—Financial Statements and Exhibits

23.01 Consent of Independent Registered Public Accounting Firm

99.01 Item 6, Form 10-K—Selected Financial Data for the five years ended December 31, 2005

99.02 Item 7, Form 10-K—Management's Discussion and Analysis of Financial Condition and Results of Operations for the three years ended December 31, 2005

99.03 Item 8, Form 10-K—Financial Statements and Supplementary Data for the three years ended December 31, 2005

99.04 Item 1, Form 10-Q—Financial Statements for the quarter ended March 31, 2006

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WILLIS GROUP HOLDINGS LIMITED
(Registrant)

By: /s/ PATRICK REGAN
Patrick Regan
Group Chief Financial Officer

Dated: London, June 21, 2006

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-8: No. 333-62780, No. 333-63186 and No. 333-130605 of our report dated March 2, 2006 (June 21, 2006 as to Notes 10, 19, and the effects of the 'Accounting Changes' section of Note 2) (which report expresses an unqualified opinion and includes explanatory paragraphs relating to: the adoption of Statement of Financial Accounting Standards No. 123R, *Share Based Payment*, and the change in method for determining the market related value of plan assets of the Company's UK defined benefit pension plan from a calculated value method to the fair value method) to the financial statements and financial statement schedule of Willis Group Holdings Limited, appearing in this Current Report on Form 8-K of Willis Group Holdings Limited.

Deloitte & Touche LLP
London, England
June 21, 2006

Item 6—Selected Financial Data

Selected Historical Consolidated Financial Data

The selected consolidated financial data presented below should be read in conjunction with the audited consolidated financial statements of the Company and the related notes and Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this report.

The selected historical financial data presented below as of and for each of the five years ended December 31, 2005 have been derived from the audited consolidated financial statements of the Company, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

	Year ended December 31,				
	2001	2002	2003	2004	2005
	(millions, except per share data)				
Statement of Operations Data					
Total revenues	$1,424	$ 1,735	$ 2,076	$ 2,275	$ 2,267
Salaries and benefits (including share-based compensation of $7, $7, $10, $20, $18)	(743)	(887)	(1,086)	(1,218)	(1,384)
Other operating expenses	(308)	(341)	(369)	(391)	(405)
Regulatory settlements	—	—	—	—	(51)
Depreciation expense and amortization of intangible assets	(68)	(35)	(39)	(47)	(54)
Net gain on disposal of operations	17	13	11	11	78
Operating income	322	485	593	630	451
Interest expense, net	(82)	(65)	(53)	(22)	(30)
Premium on redemption of subordinated notes	—	—	—	(17)	—
Income before income taxes, equity in net income of associates and minority interest	240	420	540	591	421
Income taxes	(91)	(150)	(181)	(197)	(143)
Equity in net income of associates, net of tax	4	9	14	15	14
Minority interest, net of tax	(19)	(12)	(8)	(7)	(11)
Net income	$ 134	$ 267	$ 365	$ 402	$ 281
Earnings per share—basic	$ 0.99	$ 1.82	$ 2.40	$ 2.56	$ 1.75
Earnings per share—diluted	$ 0.91	$ 1.64	$ 2.17	$ 2.42	$ 1.72
Average number of shares outstanding					
—basic	136	147	152	157	161
—diluted	148	163	168	166	163
Balance Sheet Data (as of year end)					
Total assets[(a)]	$8,926	$ 10,111	$ 10,914	$ 11,641	$ 12,194
Net assets	689	845	1,299	1,432	1,281
Total long-term debt	787	567	370	450	600
Common shares and additional paid-in capital	727	748	902	817	557
Total stockholders' equity	673	820	1,280	1,412	1,256
Other Financial Data					
Capital expenditures	$ 40	$ 47	$ 57	$ 49	$ 32
Cash dividends declared per common share	$ —	$ —	$ 0.58	$ 0.75	$ 0.86

(a) As an intermediary, we hold funds in a fiduciary capacity for the account of third parties, typically as a result of premiums received from clients that are in transit to insurance carriers and claims due to clients that are in transit from insurance carriers. We report premiums, which are held on account of, or due from policyholders, as assets with a corresponding liability due to the insurance carriers. Claims held by, or due to, us which are due to clients are also shown as both assets and liabilities of ours. All those balances due or payable are included in accounts receivable and payable on the balance sheet. Investment income is earned on those funds during the time between the receipt of the cash and the time the cash is paid out. Fiduciary cash must be kept in certain regulated bank accounts subject to guidelines, which vary according to legal jurisdiction. These guidelines generally emphasize capital protection and liquidity. Fiduciary cash is not available to service our debt or for other corporate purposes.

Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations

Statements in this report other than statements of historical fact are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that state our intentions, beliefs, expectations or predictions for the future. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or those anticipated, depending on a variety of factors such as changes in premium rates, the competitive environment, the actual cost of resolution of contingent liabilities, general economic conditions in different countries around the world, fluctuations in currency exchange rates and global equity and fixed income markets . Although we believe that the expectations reflected in forward-looking statements are reasonable we can give no assurance that those expectations will prove to have been correct. We assume no obligation to update our forward-looking statements or to advise of changes in the assumptions and factors on which they are based. All forward-looking statements contained or incorporated by reference in this document are qualified by reference to this cautionary statement.

EXECUTIVE SUMMARY

Market overview

2005 was a year of transition for the insurance industry. Following the various regulatory investigations, there were widespread changes in market practices, including the elimination of volume and profit-based contingents for global brokers and significant reductions in other remuneration received from the market. As a result of these changes, we also saw opportunities to quote for and win new business and to recruit talented staff enabling us to grow our franchise in the longer term. At the same time the market was highly competitive: insurance premium rates declined; new and existing competitors aggressively cut fees to retain or win new business; and there were upward pressures on the cost of hiring and retaining the best people. The combination of these factors in 2005 had an adverse impact on margins throughout the industry.

Results 2005 compared with 2004

Net income in 2005 was $281 million, or $1.72 per diluted share, compared with $402 million, or $2.42 per diluted share, in 2004. Total revenues at $2,267 million were $8 million lower than in 2004 as net new business growth and improved client retention rates in all divisions were more than offset by a sharp reduction in market remuneration and falling insurance premium rates.

Operating margin in 2005 was 20 percent compared with 28 percent in 2004 with the decline attributable to the sharp reduction in market remuneration, increased compensation costs and a negative contribution from foreign currency translation, together with first quarter charges of $60 million for regulatory settlements and related costs, a $20 million increase in severance payments, and a $20 million additional charge for legal provisions following the March 31, 2005 review of legal proceedings. A $78 million gain on the sale of Stewart Smith in April 2005 partly offset the adverse impact of the significant first quarter charges.

Results 2004 compared with 2003

Net income in 2004 was $402 million, or $2.42 per diluted share, compared with $365 million, or $2.17 per diluted share, in 2003. Total revenues at $2,275 million were $199 million, or 10 percent higher than in 2003 of which 2 percent was attributable to the net impact of foreign currency translation and 4 percent to acquisitions and disposals. Organic revenue growth of 4 percent reflected net new business growth of 6 percent offset by a negative 2 percent impact of declining rates.

Operating margin decreased from 29 percent in 2003 to 28 percent in 2004 reflecting the impact of higher expenses related to legal, investigative and regulatory compliance and incremental salaries and benefits expense for recruiting and retention.

Market remuneration

In October 2004, we announced that we were voluntarily abolishing contingent compensation arrangements. We expect the income to decline further as amounts received which are attributable to prior periods continue to run off and we continue to receive only a limited amount of market remuneration for operations outside North America for administrative and accounting services provided to insurers. In 2005, we received total market remuneration of $29 million, compared with $148 million in 2004 and $133 million in 2003.

Recruitment and retention spend

We continue to hire new brokers, senior executives to lead practices and strengthen specific businesses, and client-facing and technical staff who we believe will help us achieve our long term growth objectives. At the same time, employees have left under the first quarter 2005 headcount reduction program. The net increase in headcount over 2005 was therefore relatively small but we believe the revised mix will be more productive. However, our experience shows that new brokers generally take 18 to 24 months or longer before they are profitable. In addition, the costs of retaining our existing and new staff have increased in a highly competitive market.

Future outlook

In 2006 we anticipate that revenue growth will be primarily organic based on winning new accounts, increasing business with existing clients, improving client retention rates, and hiring new revenue generating staff. It is not yet possible to assess how premium rates will impact revenue growth for the full year as there are conflicting pressures on rates in both the reinsurance and direct insurance market. For example, we saw sharp increases in January 1 renewals for energy risks in the Gulf of Mexico and catastrophe and property exposed lines with poor loss records, but elsewhere premium rates remained soft or broadly stable.

During 2005, we completed 8 acquisitions with annual revenues of approximately $21 million and do not expect to see any significant increase in this level of activity in the short term. Many smaller brokers still accept volume and profit-based contingent compensation but we attribute no value to such revenues in a potential acquiree: our ability to offer a competitive price to such brokers is consequently limited except in countries where contingent compensation is immaterial.

We will therefore continue to invest in talented new and existing brokers and business leaders who we believe can win new business and drive our business forward to generate improved margins in the longer term. We expect the compensation ratio (salaries and benefits as a percentage of revenues) in 2006 to be lower than 59 percent compared to the 2005 compensation ratio, excluding severance costs, of 60 percent. This outlook assumes a more selective approach towards recruitment opportunities in 2006.

Overall, in 2006 we anticipate modest operating margin expansion. In the longer term, our goal is to achieve sustainable long-term growth based on delivering value to our customers so that we continue to win new accounts, increase business with existing clients, improve client retention rates, and attract and retain revenue generating staff. However, given the inherent unpredictability of our business, actual results may differ from those predicted for a number of reasons, including unexpected changes in market conditions, adverse developments in litigation matters and regulatory issues.

Cash and financing

Cash at December 31, 2005 was $193 million, $158 million lower than at December 31, 2004 with the decrease primarily due to a reclassification of approximately $155 million from own funds to fiduciary funds under new UK regulations—see “Liquidity and Capital Resources” below. Net cash inflow from

operating activities including the reclassification from own funds to fiduciary funds was $95 million. Cash generated from other operating sources was approximately $250 million. Share buybacks totaling $360 million (10.3 million shares at an average price of $35.00) and dividends of $135 million were largely funded from the proceeds from the Stewart Smith disposal of $96 million and cash generated from other operating sources.

In 2005, in order to diversify our funding base and to lengthen our maturity profile, we replaced the bank loan agreement we entered into in December 2003, which included a $450 million term loan facility and a $150 million revolving credit facility. On July 1, 2005 we completed a $600 million notes offering, comprising $350 million 10 year notes at 5.625 percent and $250 million 5 year notes at 5.125 percent. Proceeds from the offering were used to repay the existing $450 million bank loan on July 6, 2005 and the remainder used for general corporate purposes including additional pension fund contributions of $50 million. On October 17, 2005, we entered into a new $300 million 5 year revolving credit facility which replaced the existing $150 million facility. Our capitalization ratio (total long-term debt to total long-term debt and equity) was 32 percent at December 31, 2005 compared with 24 percent at December 31, 2004.

Regulatory proceedings

Further to the agreements reached with the New York Attorney General, the New York Superintendent of Insurance and the Minnesota Attorney General in second quarter 2005, we paid $51 million on July 1, 2005 into bank accounts for reimbursement funds. We continue to respond to requests for documents and information from the regulators and/or attorneys general of more than twenty other states, the District of Columbia, one US city, Canada and Australia who are conducting similar regulatory proceedings. We are co-operating fully with these investigations but at this time cannot predict how or when these investigations will be resolved.

BUSINESS AND MARKET OVERVIEW

We provide a broad range of insurance brokerage and risk management consulting services to our worldwide clients. In our capacity as an advisor and insurance broker, we act as an intermediary between our clients and insurance carriers by advising our clients on their risk management requirements, helping clients to determine the best means of managing risk, and negotiating and placing insurance risk with insurance carriers through our global distribution network.

We generate revenue from commissions and fees on insurance placements and fees from consulting and other services. We also earn interest on premiums held before remittance to the insurer and on claims held before payment to the insured.

The majority of our revenue is commission based and varies based upon the premiums on the policies we place on behalf of our clients. As such, when premium rates in the insurance market rise we tend to benefit and, when premium rates decline, we tend to experience pressure on our revenues, although in both cases there are many conflicting factors, including changes in buying and selling behavior. We manage expenses to moderate the impact on earnings.

From the late 1980s through late 2000, insurance premium rates generally trended downwards as a result of a number of factors. However, following several years of underwriting losses, the declines in world equity markets and lower interest rates, many insurance carriers began to increase premium rates in 2000. The tragic events of September 11, 2001 acted as a catalyst, especially in areas such as aerospace, and rates generally continued to rise through 2003.

During 2004, we saw a rapid transition from a hard market, with premium rates stable or increasing, to a soft market, with premium rates falling in most markets. The soft market continued throughout 2005, although the rate of decline moderated in the latter part of the year. Rates have remained soft or stable in

the early part of 2006 with the exception of renewals for energy risks in the Gulf of Mexico following the unprecedented level of hurricane activity over the last two years, in particular in the latter part of 2005, and catastrophe and property exposed lines with poor loss records.

We believe that throughout 2006 there will be conflicting pressures on reinsurance rates. There will be upward pressures as reinsurers recalibrate risk models and review underwriting policies and rating agencies require reinsurers to hold more capital to reflect increased risk assumptions. However, there will be downward pressures as reinsurers seek to retain market share in areas where combined ratios have been good; new capital enters the market; and many insurers are reluctant to pay more for reinsurance where this cannot be passed on to the direct market leading to increased retentions and a consequent reduction to volumes into the reinsurance market.

OPERATING RESULTS

Revenues

2005 compared with 2004

	2005	2004	% change	Change attributable to: Foreign currency translation	Acquisitions and disposals	Organic revenue growth[i]
	(millions)					
Global[ii]	$ 961	$ 993	(3)%	0%	0%	(3)%

North America(ii)	722	706	2%	0%	1%	1%
International(ii)	511	506	1%	(1)%	1%	1%
Commissions and fees	$ 2,194	$ 2,205	0%	0%	1%	(1)%
Investment income	73	70	4%	(1)%	0%	5%
Total revenues	$ 2,267	$ 2,275	0%	0%	1%	(1)%

(i) Organic revenue growth excludes the impact of foreign currency translation and acquisitions and disposals from reported revenues. We use organic growth as a measure of business growth generated by operations that were part of the Group at the end of the period. Our method of calculating this measure may differ from that used by other companies and therefore comparability may be limited.

(ii) Following a change to our internal reporting structure effective January 1, 2006, North America Global Markets and International Global Markets revenues, which were previously reported within our Global division, are now reported in the North America and International divisions, respectively. In addition, we refined our method of allocating revenues between the Global and North America divisions. As a result of these changes, $109 million of revenues previously reported within our Global division in 2005 (2004: $123 million) have been reclassified between the North America ($45 million) and International divisions ($64 million) (2004: North America $46 million and International $77 million).

2005 revenues at $2,267 million were broadly in line with 2004 with the benefit of an increase attributable to net acquisitions and disposals offset by a reduction in organic revenues, where net new business growth was more than offset by the reduction in market remuneration.

Net acquisitions and disposals added 1 percent to total revenues in 2005 compared with 2004. In Global, the benefit of recent acquisitions, mainly the Coyle Hamilton and Opus acquisitions in second half 2004, was offset by the impact of the Stewart Smith sale in April 2005. In North America, growth attributable to acquisitions was mainly due to the CGI Consulting and Primary acquisitions in first quarter 2005.

Organic revenues in 2005 were 1 percent lower than in 2004. Net new business growth in all our operations and improved client retention in 2005 were more than offset by soft or declining rates in most of our markets and the sharp reduction in market remuneration compared with 2004 discussed above.

The following table analyzes 2005 organic growth in commissions and fees by business:

	Total commissions and fees organic growth	Total market remuneration(i)	Commissions and fees excluding market remuneration
Global(ii)	(3)%	(8)%	5%
North America(ii)	1%	(4)%	5%
International(ii)	1%	(3)%	4%
Group	(1)%	(6)%	5%

(i) Total market remuneration includes volume and profit-based contingent commissions together with compensation for product and market research carried out on behalf of insurers and income related to administration and other services provided to the market.

(ii) Following a change to our internal reporting structure effective January 1, 2006, North America Global Markets and International Global Markets revenues, which were previously reported within our Global division, are now reported in the North America and International divisions, respectively. In addition, we refined our method of allocating revenues between the Global and North America divisions. As a result of these changes, $109 million of revenues previously reported within our Global division have been reclassified between the North America ($45 million) and International divisions ($64 million).

Global: Global revenues were adversely impacted by a $71 million reduction in market remuneration in 2005 compared with 2004. Commissions and fees, excluding market remuneration, were 5 percent higher in 2005 compared with 2004. Rates were soft in virtually all the sectors we operate in and in the reinsurance market we are seeing a trend towards more centralized buying and higher retentions. Despite the highly competitive market, net new business growth improved and we saw some benefit in the London market from market remuneration migrating to fees. Our Aerospace and Niche businesses in Global Specialties performed well.

North America: 2005 organic revenues were 1 percent higher than in 2004 as net new business growth more than offset a $30 million reduction in market remuneration and the impact of declining rates. Excluding market remuneration, commissions and fees were 5 percent higher in 2005 compared with 2004 despite declining rates particularly in the first half of 2005. Net new business growth remained robust across all regions and businesses with improved retention rates also a significant contributor. Overall, most regional sectors are performing well and we are seeing good growth in the financial institutions and large account practices. In our large account practice, we have seen a sustained increase in requests for proposals with total new business in 2005 higher than that achieved in 2004.

International: International revenues were 1 percent higher than in 2004 as net new business growth and improved client retention in most regions offset the impact of a further softening of rates in many areas and a 3 percent reduction attributable to reduced market remuneration. South Africa, Russia, Latin America and Asia all performed well.

2004 compared with 2003

	2004	2003	% change	Change attributable to: Foreign currency translation	Acquisitions and disposals	Organic revenue growth(i)
	(millions)					
Global(ii)	$ 993	$ 941	6%	0%	3%	3%
North America(ii)	706	674	5%	1%	0%	4%
International(ii)	506	389	30%	8%	13%	9%
Commissions and fees	$ 2,205	$ 2,004	10%	1%	4%	5%
Investment income	70	72	(3)%	4%	1%	(8)%
Total revenues	$ 2,275	$ 2,076	10%	2%	4%	4%

(i) Organic revenue growth excludes the impact of foreign currency translation and acquisitions and disposals from reported revenues. We use organic growth as a measure of business growth generated by operations that were part of the Group at the end of the period. Our method of calculating this measure may differ from that used by other companies and therefore comparability may be limited.

(ii) Following a change to our internal reporting structure effective January 1, 2006, North America Global Markets and International Global Markets revenues, which were previously reported within our Global division, are now reported in the North America and International divisions, respectively. In addition, we refined our method of allocating revenues between the Global and North America divisions. As a result of both these changes, $123 million of revenues previously reported within our Global division in 2004 (2003: $105 million) have been reclassified between the North America ($46 million) and International divisions ($77 million) (2003: North America $43 million and International $62 million).

2004 revenues at $2,275 million were 10 percent higher than in 2003, with all our businesses reporting growth despite a declining rate environment.

Our International business earns revenues in currencies other than the US dollar. In 2004, reported revenues in our International division benefited significantly from the impact of foreign currency translation, largely as a result of the euro strengthening against the dollar. This benefit was partly offset by the strength of the dollar relative to Latin American currencies throughout 2004.

Net acquisitions and disposals led to a 13 percent increase in International's 2004 revenues compared with the prior year. The increase was mainly attributable to the acquisition of a controlling interest in Willis A/S, our Danish subsidiary, which was consolidated from January 1, 2004.

Organic revenue growth in 2004 was 4 percent comprised of approximately 6 percent net new business growth partly offset by a 2 percent reduction due to declining insurance premium rates.

Global: Global business revenues were 3 percent higher in 2004 compared with 2003 reflecting good performances by most business units despite noticeable downward pressure on premium rates. Reinsurance revenues grew in 2004 due to a strong new business performance, particularly from the US reinsurance unit. Premium rates were a negative factor on reinsurance revenues from the second quarter of 2004 and for full year 2004 had an adverse impact of 3 percent when compared with 2003. In addition, reinsurance brokerage was adversely affected by increased self-insurance by clients.

North America: Organic revenue growth in our North America business was 4 percent in 2004 despite the elimination of market remuneration in the fourth quarter and a softening insurance market place. As we moved through 2004, declining premium rates had an increasingly negative effect.

In 2004, revenues included $35 million of market remuneration. Due to the abolition of this remuneration in October 2004, there was no market remuneration in the fourth quarter 2004. In 2003, revenues included $32 million of market remuneration of which $12 million was recognized in the fourth quarter.

International: Organic revenue growth in our International business of 9 percent in 2004 was driven by good performances in Europe, notably the Netherlands and Iberia, Asia and Latin America. There was a modest negative impact from premium rates on average, although the effect varied by country and by line of business.

General and administrative expenses

	2005	2004	2003
	(millions, except percentages)		
Salaries and benefits	$ 1,384	$ 1,218	$ 1,086
Other	405	391	369
General and administrative expenses	$ 1,789	$ 1,609	$ 1,455
Compensation ratio or salaries and benefits as a percentage of revenues	61%	54%	52%

2005 compared with 2004

General and administrative expenses at $1,789 million in 2005 were $180 million, or 11 percent, higher than in 2004 of which 3 percent was attributable to acquisitions net of disposals and foreign currency translation.

Salaries and benefits were $1,384 million, or 61 percent of revenues, in 2005 compared with $1,218 million, or 54 percent of revenues, in 2004. The increase in the compensation ratio (salaries and benefits as a percentage of revenues) was mainly attributable to the $119 million reduction in market remuneration and the incremental cost of net new hires and higher costs to retain and incentivize existing staff, together with a $20 million increase in severance costs, primarily relating to the first quarter 2005 headcount reduction program, and the impact of foreign currency translation. Excluding severance costs relating to the first quarter headcount reduction program, the compensation ratio was 60 percent in 2005. We expect the compensation ratio for full year 2006 to be less than 59 percent. This outlook assumes a more selective approach towards recruitment opportunities in 2006.

Other expenses at $405 million were 4 percent higher than 2004 of which 5 percent was attributable to acquisitions net of disposals and foreign currency translation. There was an underlying decrease of 1 percent despite an additional $20 million provision for legal claims following the March 31, 2005 review of legal cases and increased legal costs mainly relating to regulatory proceedings. This decrease reflected strong controls on discretionary spending throughout 2005.

2004 compared with 2003

General and administrative expenses, including share-based compensation charges, at $1,609 million in 2004 were $154 million or 11 percent higher than in 2003, of which 2 percent was attributable to foreign currency translation and 4 percent to acquisitions and disposals.

Salaries and benefits, excluding share-based compensation for stock options, were 54 percent of revenues in 2004 compared to 52 percent of revenues in 2003, reflecting increased expenditure on recruitment and retention of staff. We recruited steadily over the preceding two years as the Company

grew and we built the sales culture. The pace of this recruitment accelerated in fourth quarter 2004 and at December 31, 2004 the number of revenue earning staff was 5 percent higher than at December 31, 2003.

Other expenses included some $10 million of incremental legal, investigative and other costs incurred in fourth quarter 2004 primarily relating to the New York Attorney General's investigation.

Operating income and margin

	2005	2004	2003
	(millions, except percentages)		
Revenues	$ 2,267	$ 2,275	$ 2,076
Operating income	451	630	593
Operating margin or operating income as a percentage of revenues	20%	28%	29%

2005 compared with 2004

Operating margin at 20 percent for 2005 was significantly lower than 2004 and was impacted by:

· the first quarter 2005 provision for regulatory settlements of $51 million and related legal costs of $9 million;

· a $20 million increase in severance costs primarily as a result of the first quarter 2005 headcount reduction program;

· an additional $20 million increase in the provision for claims following the March 31, 2005 review of legal proceedings; and

· a $67 million increase in net gains on disposal compared with 2004 mainly reflecting the $78 million gain on the sale of Stewart Smith in second quarter 2005.

The net effect of these items was to reduce operating margin by 1 percent. The remaining decline in operating margin was mainly attributable to: the $119 million reduction in market remuneration; increased retention and recruitment costs; the impact of foreign currency translation; and the effect of Stewart Smith which was sold in April 2005.

We earn revenue in an uneven fashion during the year, primarily due to the timing of insurance policy renewals. As many policies incept and renew as of December 31 or January 1, we generate the majority of our revenues in the first and fourth calendar quarters. General and administrative expenses, however, are incurred on a relatively even basis throughout the year. As a result, we have historically earned the majority of our operating income in the first and fourth quarters. However, significant charges in first quarter 2005 and a $78 million gain on disposal in second quarter 2005 distorted this trend in 2005. Operating income in 2005 was $87 million, $199 million, $66 million and $99 million for the first, second, third and fourth quarters, respectively.

2004 compared with 2003

Operating margin was 28 percent in 2004 compared with 29 percent in 2003. The decrease reflected increased recruitment and retention costs and higher legal, regulatory and compliance expenses.

Premium on redemption of subordinated notes

In February 2004, we paid a call premium of $17 million on the early redemption of all $370 million of our 9% senior subordinated notes.

Interest expense, net

Interest expense in 2005 was $30 million compared with $22 million in 2004 with the increase mainly due to higher average levels of debt at higher interest rates following the replacement of the $450 million term loan with $600 million of senior notes in July 2005 as part of our long term capital structure planning.

Interest expense in 2004 was $22 million, significantly lower than in 2003, $53 million. This decrease reflects the benefit of lower average levels of debt, together with lower interest rates on new credit facilities.

Income taxes

	2005	2004	2003
	(millions, except percentages)		
Income before taxes	$ 421	$ 591	$ 540
Income taxes	143	197	181
Effective tax rate	34%	33%	34%

The effective tax rate in 2005 was 34 percent. The net impact of the effect of tax on net disposals, the amortization of intangibles, and the $60 million of regulatory settlements and related costs was 2 percent, of which approximately 3 percent was attributable to the $78 million profit on disposal of Stewart Smith and a negative 1 percent to the tax effect of the regulatory settlements and related costs. Excluding the effect of tax on net disposals of operations, the amortization of intangible assets, and regulatory settlements and related costs, the underlying tax rate was 32 percent compared with 33 percent in 2004 which contributed approximately $0.04 to diluted earnings per share in 2005.

Income tax expense for 2004 amounted to $197 million, an effective rate of 33 percent. The effects on taxation of the amortization of intangible assets and disposals of operations had a net neutral impact on the 2004 tax rate.

Income tax expense for 2003 amounted to $181 million, an effective rate of 34 percent. In the third quarter of 2003, certain changes to UK tax legislation were enacted regarding the taxation of employee stock options. With effect from July 1, 2003 we obtain a corporate tax deduction equal to the market price of our shares on the date of exercise less the option exercise price paid by the employee. Share-based compensation amounting to $9 million in respect of UK stock options had been expensed in periods prior to January 1, 2003 without any income tax benefit being recognized. Accordingly, following the change in UK tax legislation, a one-time income tax benefit of $3 million, and a corresponding deferred asset, was recognized in 2003.

Net income and earnings per diluted share

	2005	2004	2003
	(millions, except per share data)		

Net income	$ 281	$ 402	$ 365
Earnings per diluted share	$ 1.72	$ 2.42	$ 2.17
Average diluted number of shares outstanding	163	166	168

2005 compared with 2004

Net income for 2005 was $281 million, or $1.72 per diluted share, compared with $402 million, or $2.42 per diluted share, in 2004. Net income in 2005 was impacted by a number of significant items: the $36 million post-tax cost of regulatory settlements in first quarter 2005 together with related legal costs, equivalent to $0.22 per diluted share; the $19 million post-tax cost of the first quarter 2005 headcount reduction program, equivalent to $0.12 per diluted share; the $14 million post-tax cost of the additional

$20 million provision for legal claims following the March 31, 2005 review of legal cases, equivalent to $0.09 per diluted share; and the $41 million post-tax net gain on disposal of operations primarily relating to the second quarter 2005 sale of Stewart Smith, equivalent to $0.25 per diluted share. The decrease excluding these significant items was mainly attributable to the reduction in market remuneration; increased retention and recruitment costs; the impact of foreign currency translation; and the effect of Stewart Smith which was sold in April 2005; partly offset by the lower tax rate.

Excluding the gain on disposal in second quarter 2005, Stewart Smith's results contributed $Nil to net income per diluted share in 2005, $0.12 in 2004 and $0.10 in 2003. The following table shows the impact of Stewart Smith on results in the periods prior to sale:

	2005	2004	2003
	(millions, except per share data)		
Revenues	$ 10	$ 77	$ 72
General and administrative expenses	11	44	45
Operating (loss) income	(1)	33	27
Income taxes	—	13	11
Net (loss) income	$ (1)	$ 20	$ 16
Contribution to net income per diluted share	$ —	$ 0.12	$ 0.10

Foreign currency translation reduced net income per diluted share by approximately $0.06 for fiscal 2005 compared with fiscal 2004.

2004 compared with 2003

Net income in 2004 and 2003 was impacted by net gains on disposal of operations. In addition, 2004 was adversely impacted by a call premium paid on the early redemption of the 9% senior subordinated notes ($10 million net of tax), while 2003 benefited from a one-time tax benefit of $3 million following a change to UK tax legislation regarding the taxation of employee stock options.

Excluding these items, net income increased by 14 percent to $404 million in 2004 ($2.43 per diluted share) compared with $355 million in 2003 ($2.11 per diluted share).

There was no impact of foreign currency translation on earnings in 2004 compared with 2003.

CRITICAL ACCOUNTING ESTIMATES

The Company's accounting policies are described in Note 2 to the Consolidated Financial Statements. Management considers that the following accounting estimates or assumptions are the most important to the presentation of the Company's financial condition or operating performance. Management has discussed its critical accounting estimates and associated disclosures with our Audit Committee.

Pension expense

We maintain defined benefit pension plans that cover almost all our employees in the United States and United Kingdom, although the UK plan was closed to new entrants in January 2006. New entrants in the United Kingdom will now be offered the opportunity to join a defined contribution plan. Elsewhere, pension benefits are typically provided through defined contribution plans.

Net pension expense for our defined benefit pension plans in 2005 was $62 million, an increase of $7 million compared with 2004 of which $6 million related to the UK plan. The increase in the UK expense was mainly attributable to the impact of lower discount rates and higher amortization charges for losses arising in previous years, together with a smaller increase due to increased longevity assumptions.

Based on December 31, 2005 assumptions, we expect our net pension expense in 2006 to decrease by approximately $13 million compared with 2005 mainly attributable to a $16 million increase in the expected return on UK plan assets, reflecting the benefit of strong asset performance in 2005, partly offset by the impact of the lower UK discount rate at December 31, 2005 and a further increase in longevity assumptions in the United States.

We make a number of assumptions when determining our pension liabilities and pension expense which are reviewed annually by senior management and changed where appropriate. The discount rate will be changed annually if underlying rates have moved whereas the expected long-term return on assets will be changed less frequently as longer term trends in asset returns emerge. Other material assumptions include rates of participant mortality, the expected long-term rate of compensation and pension increases and rates of employee termination.

UK plan

	As disclosed using	Impact of a 0.25 percentage point increase	Impact of a 0.25 percentage point increase	One year increase in mortality assumption[(2)]

	December 31, 2005 assumptions	in the expected rate of return on assets[1]	in the discount rate[1]	
		(millions)		
Estimated 2006 expense	$ 25	$ (4)	$ (9)	$ 8
Projected benefit obligation at December 31, 2005	1,848	N/A	(78)	52

(1) With all other assumptions held constant.

(2) Assumes all plan participants are one year younger.

Expected long-term rates of return on plan assets are developed from the expected future returns of the various asset classes using the target asset allocations. The expected long-term rate of return used for determining the net UK pension expense in 2005 was 7.25 percent, unchanged from 2004, and equivalent to an expected return in 2005 of $107 million. The actual return in 2005 was $282 million with all asset classes performing well, especially equities.

Rates used to discount pension plan liabilities at December 31, 2005 were based on yields prevailing at that date of high quality corporate bonds of appropriate maturity. The selected rate used to discount UK plan liabilities was 4.9 percent compared with 5.3 percent at December 31, 2004 with the decrease reflecting a decline in long term bond rates in the United Kingdom during 2005. The lower discount rate at December 31, 2005 was the main contributor to the $204 million actuarial loss in 2005. Changes to the rates at which retiring members can exchange part of their future pension entitlements for a cash payment also contributed to actuarial losses in 2005.

Mortality assumptions at December 31, 2005 were unchanged from December 31, 2004. As an indication of the longevity assumed, our calculations assume that a UK male retiree aged 65 at December 31, 2005 would have a life expectancy of 20 years.

US plan

	As disclosed using December 31, 2005 assumptions	Impact of a 0.25 percentage point increase in the expected rate of return on assets[1]	Impact of a 0.25 percentage point increase in the discount rate[1]	One year increase in mortality assumption[2]
		(millions)		
Estimated 2006 expense	$ 24	$ (1)	$ (2)	$ 3
Projected benefit obligation at December 31, 2005	574	N/A	(20)	16

(1) With all other assumptions held constant.

(2) Assumes all plan participants are one year younger.

The expected long-term rate of return used for determining the net US pension expense in 2005 was 8.0 percent, compared with an actual return of 9.0 percent. The rate used to discount US plan liabilities at December 31, 2005 was 5.75 percent, determined based on expected plan cash flows discounted using a corporate bond yield curve, in line with the rate used at December 31, 2004.

We revised our mortality assumptions for the US plan during 2005 which led to an approximate $5 million increase in the projected benefit obligation at December 31, 2005. As an indication of the longevity assumed, our calculations assume that a US male retiree aged 65 at December 31, 2005 would have a life expectancy of 18 years.

Income taxes

We are subject to the income tax laws of the various tax jurisdictions in which we operate, principally the United States and United Kingdom. These tax laws are complex and subject to different interpretations by taxpayers and the tax authorities. When establishing income tax provisions, we therefore make a number of judgments and interpretations about the application and interaction of these tax laws. We have estimated tax reserves that we believe are adequate in relation to the potential for future assessments. Once established, we only adjust tax reserves when more information is available or when an event occurs necessitating a change to tax reserves. Changes in these tax laws or our interpretations of these laws and the resolution of current and future tax audits could significantly impact our effective tax rate and results of operations in a given period.

We recognize deferred tax assets and liabilities for the estimated future tax consequences of events attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating and capital loss and tax credit carryforwards. We estimate deferred tax assets and liabilities and assess the need for any valuation allowances using enacted rates in effect for the year in which the differences are expected to be recovered or settled taking into account our business plans and tax planning strategies.

At December 31, 2005, the Company had gross deferred tax assets of $319 million (2004: $365 million) against which a valuation allowance of $110 million (2004: $123 million) had been recognized. To the extent that the actual future taxable income in the periods during which the temporary differences are expected to reverse differs from current projections, or assumed prudent and feasible tax planning strategies fail to materialize, or new tax planning strategies are developed, or material changes occur in actual tax rates or loss carry forward time limits, the Company may adjust the deferred tax asset considered realizable in future periods. Such adjustments could result in a significant increase or decrease in the effective tax rate and have a material impact on our net income, although management does not believe that this is likely.

Commitments, contingencies and accrued liabilities

We purchase professional indemnity insurance for errors and insurance claims. The terms of this insurance vary by policy year and self-insured risks have increased significantly over recent years. We have established provisions against various actual and potential claims, lawsuits and other proceedings relating principally to alleged errors and omissions in connection with the placement of insurance and reinsurance in the ordinary course of business. Such provisions cover claims that have been reported but not paid and also claims that have been incurred but not reported. These provisions are established based on actuarial estimates together with individual case reviews and are believed to be adequate in the light of current information and legal advice.

LIQUIDITY AND CAPITAL RESOURCES

In 2005, in order to diversify our funding base and to lengthen our maturity profile, we replaced the bank loan agreement we entered into in December 2003, which included a $450 million term loan facility and a $150 million revolving credit facility.

On July 1, 2005, we completed a senior notes offering of $600 million enabling us to access an alternative source of finance for the Company at attractive rates and spreads. The issue also facilitates further access to the debt markets in the future, providing additional flexibility. The issue comprised $250 million 5 year notes priced at 5.125 percent and $350 million 10 year notes priced at 5.625 percent. Net proceeds after expenses totaled $593 million and were used to repay the existing shorter term $450 million bank loan on July 6, 2005. The remaining balance was used for general corporate purposes including additional pension fund contributions of $50 million.

On October 17, 2005, we entered into a new $300 million 5 year revolving credit facility which provides short term flexibility and replaced the $150 million credit facility. Drawdowns under this new facility initially bear interest at LIBOR plus 45 basis points. We have not yet made any drawdowns under this facility.

Operating activities

As an intermediary, we hold funds generally in a fiduciary capacity for the account of third parties, typically as the result of premiums received from clients that are in transit to insurers and claims due to clients that are in transit from insurers. We report premiums, which are held on account of, or due from, clients as assets with a corresponding liability due to the insurers. Claims held by, or due to, us which are due to clients are also shown as both assets and liabilities. All these balances due or payable are included in accounts receivable and accounts payable on the balance sheet. We earn interest on these funds during the time between the receipt of the cash and the time the cash is paid out. Fiduciary cash must be kept in certain regulated bank accounts subject to guidelines, which generally emphasize capital preservation and liquidity, and is not generally available to service our debt or for other corporate purposes.

Net cash provided by operations, which excludes fiduciary cash, was $95 million in 2005 compared with $360 million in 2004 and $399 million in 2003. The reduction in net cash provided by operations in 2005 was primarily attributable to a reclassification of approximately $155 million own funds to fiduciary funds under new Financial Services Authority (“FSA”) regulations in the United Kingdom which came into force in January 2005, and the $51 million regulatory settlements.

The new FSA regulations require fiduciary funds to be held in designated trust accounts, restrict the financial instruments in which such funds may be invested and affect the timing of transferring commissions from fiduciary funds to own funds. The regulations change the basis for the withdrawal of commissions from fiduciary funds from an earned to a receipts basis with a consequential increase in the balances held in fiduciary funds.

In addition to the impact of the new FSA regulations, net cash provided by operations in 2005 compared with 2004 was also adversely impacted by the abolition of volume and profit-based contingent commissions and the reduction in other market remuneration.

Net cash provided by operations was $39 million lower in 2004 compared with 2003 mainly reflecting the impact of recruitment and retention strategies employed by the Group at the end of 2004 and higher expenses related to legal, investigative and regulatory compliance.

Investing activities

Total net cash provided by investing activities was $32 million in 2005 compared with a $183 million outflow in 2004 and a $135 million outflow in 2003. Net cash proceeds from the sale of operations totaled $90 million pre-tax and were mainly attributable to the sale of Stewart Smith on April 14, 2005. Cash used for acquisitions in 2005 amounted to $35 million (net of cash acquired), primarily incurred in acquiring CGI Consulting Group, Inc., now Willis Benefits of Pennsylvania, Inc., a US employee benefits firm and Primary Worldwide Corporation in the US, now Willis Consulting Services of California, Inc., C.R. King and Partners Limited in the United Kingdom, J.H. Asesores y Corredores de Seguros S.A. a Peruvian broker, K.R. Athos Consultoria e Corretora de Seguros de Vida S/C Ltd, a Brazilian employee benefits firm and Essence, a Taiwanese broker.

Cash used for acquisitions in 2004 totaled $147 million (net of cash acquired). The cash was used primarily for the acquisitions of: Coyle Hamilton, the Republic of Ireland’s largest privately owned insurance broker; the controlling interest in Willis A/S, Denmark’s largest insurance broker; two reinsurance brokers in Italy and Denmark; and Opus, a regional insurance broking business in the United Kingdom.

Cash used for acquisitions in 2003 amounted to $91 million (net of cash acquired), primarily incurred in acquiring further interests in Willis GmbH, Willis Iberia and Willis Italia as we continued our policy of acquiring controlling interests in most major associate companies and other remaining minority interests.

We have historically funded acquisitions with cash or a combination of cash and equity. Depending on the acquisition and the economics of the transaction, we would expect this pattern to continue.

Capital expenditures for 2005, 2004 and 2003 were $32 million, $49 million and $57 million, respectively. We have funded our requirements for capital expenditures by cash generated internally from operations and expect to continue to do so in the future.

Financing activities

We continued to actively buy back shares in 2005, repurchasing 10.3 million shares for $360 million during the year compared with 9.3 million shares at a cost of $339 million in 2004. In April 2005, the Board of Directors approved a new share buyback program for $300 million and increased the authorization to $500 million in July 2005. An additional $140 million can, therefore, be bought back under the existing authorization.

The completion of our senior notes offering of $600 million in July 2005 and the subsequent repayment of the $450 million term loan generated a net cash inflow of $143 million. There was a net inflow of $63 million from refinancing debt in 2004. During 2003, debt repayments amounted to $198 million.

Excess tax benefits from share-based payment arrangements were $45 million compared with $130 million in 2004 reflecting a decrease in the level of options exercised during the year.

Cash dividends paid in 2005 were $135 million compared with $115 million in 2004 and $63 million in 2003. In February 2006, the quarterly cash dividend declared was increased by 9 percent to $0.235 per

share, an annual rate of $0.94 per share. At this rate, the expected annual cost of dividends payable in 2006 will be approximately $146 million. We have funded dividends from cash generated internally by operations and expect to do so in the future.

As of December 31, 2005, we had cash and cash equivalents of $193 million, compared with $351 million at December 31, 2004. We expect that internally generated funds will be sufficient to meet our foreseeable operating cash requirements, capital expenditures and dividend payments. Additionally our new undrawn $300 million revolving credit facility gives us additional financial flexibility.

CONTRACTUAL OBLIGATIONS

Our contractual obligations at December 31, 2005 were:

		Payments due by			
Obligations	**Total**	**2006**	**2007-2008**	**2009-2010**	**After 2010**
			(millions)		
5.125% Senior Notes due 2010	$ 250	$ —	$ —	$ 250	$ —
5.625% Senior Notes due 2015	350	—	—	—	350
Interest on Senior Notes	261	32	65	65	99
Operating leases	1,131	71	182	151	727
Pensions	181	95	86	—	—
Put & call options relating to subsidiaries and associates(1)	554	336	109	92	17
Total contractual obligations	$2,727	$534	$ 442	$ 558	$ 1,193

(1) Based on the earliest dates on which options could be exercised.

In November 2004, we entered into a 25 year agreement with British Land plc relating to our new UK headquarters in London. Construction commenced in early 2005 and our occupancy is targeted for late 2007. Our contractual obligations in relation to this commitment totaling $800 million are included in the table above, but are contingent upon the successful completion of construction.

Following changes to UK pensions legislation in 2005, we are now required to agree a funding strategy for our UK defined benefit plan with the plan's trustees. In January 2006, we agreed to make additional contributions in 2006 and 2007 of $95 million and $86 million respectively.

In connection with many of our investments in less than wholly-owned subsidiaries and associates, we retain rights to increase our ownership percentage over time, typically to a majority or 100 percent ownership position. In addition, in certain instances, the other owners have a right, typically at a price calculated pursuant to a formula based on revenues or earnings, to put some or all of their shares to us.

As part of our acquisition of 33 percent of Gras Savoye, we entered into a put arrangement, whereby the other shareholders in Gras Savoye (primarily two families, two insurance companies and Gras Savoye's executive management team) could put their shares to us. Until 2011, we will be obligated to buy the shares of certain shareholders to the extent those shareholders put their shares, potentially increasing our ownership from 33 percent to 90 percent if all shareholders put their shares, at a price determined by a contractual formula based on earnings and revenue. Management shareholders of Gras Savoye (representing approximately 10 percent of shares) do not have general put rights before 2011, but have certain put rights on their death, disability or retirement from which payments, at December 31, 2005 based on the formula would not have exceeded $57 million. The shareholders may put their shares individually at any time during the put period.

While neither we nor the management of Gras Savoye expect significant exercises of the puts, on a separate or aggregate basis, in the near to medium term, we nevertheless believe that, should the aggregate

amount of shares be put to us, sufficient funds would be available to satisfy this obligation. In addition, we have a call option to move to majority ownership under certain circumstances and in any event by December 2009. Upon exercising this call option, the remaining Gras Savoye shareholders have a put option.

Off-balance sheet transactions

Apart from commitments, guarantees and contingencies, as disclosed in Note 14 of Notes to the Consolidated Financial Statements, the Company has no off-balance sheet arrangements that have, or are reasonably likely to have, a material effect on the Company's financial condition, results of operations or liquidity.

WILLIS GROUP HOLDINGS LIMITED

Item 8—Financial Statements and Supplementary Data

Index to Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Willis Group Holdings Limited, Hamilton, Bermuda

We have audited the accompanying consolidated balance sheets of Willis Group Holdings Limited and subsidiaries (collectively, the ''Company'') as of December 31, 2005 and 2004, and the related consolidated statements of operations, stockholders' equity and comprehensive income and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the financial statement schedule listed in the index at Item 15. These financial statements and financial statement schedule are the responsibility of Willis Group Holdings Limited management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Willis Group Holdings Limited and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule (not presented herein), when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited in accordance with the standards of the Public Company Accounting Oversight Board (United States) the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 2, 2006 (not presented herein) expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

As discussed in Notes 2 and 10, the accompanying 2005, 2004 and 2003 financial statements have been retrospectively adjusted for the adoption of Statement of Financial Accounting Standards No. 123R, *Share Based Payment*.

As discussed in Note 2, the accompanying 2005, 2004 and 2003 financial statements have been retrospectively adjusted for the change in method for determining the market related value of plan assets of the Company's UK defined benefit pension plan from a calculated value method to the fair value method.

Deloitte & Touche LLP
London, England
March 2, 2006
(June 21, 2006 as to Notes 10, 19, and the effects of the "Accounting Changes" section of Note 2)

WILLIS GROUP HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended December 31, 2005	2004	2003
	As adjusted (Note 2) (millions, except per share data)		
REVENUES			
Commissions and fees	$ 2,194	$ 2,205	$ 2,004
Investment income	73	70	72
Total revenues	2,267	2,275	2,076
EXPENSES			
Salaries and benefits (including share-based compensation of $18, $20 and $10)	(1,384)	(1,218)	(1,086)
Other operating expenses	(405)	(391)	(369)
Regulatory settlements (Note 14)	(51)	—	—

Depreciation expense and amortization of intangible assets	(54)	(47)	(39)
Net gain on disposal of operations (Note 3)	78	11	11
Total expenses	(1,816)	(1,645)	(1,483)
OPERATING INCOME	451	630	593
Interest expense, net	(30)	(22)	(53)
Premium on redemption of subordinated notes (Note 8)	—	(17)	—
INCOME BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	421	591	540
INCOME TAXES (Note 4)	(143)	(197)	(181)
INCOME BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	278	394	359
EQUITY IN NET INCOME OF ASSOCIATES, NET OF TAX (Note 5)	14	15	14
MINORITY INTEREST, NET OF TAX	(11)	(7)	(8)
NET INCOME	$ 281	$ 402	$ 365
EARNINGS PER SHARE (Note 6)			
—Basic	$ 1.75	$ 2.56	$ 2.40
—Diluted	$ 1.72	$ 2.42	$ 2.17
AVERAGE NUMBER OF SHARES OUTSTANDING (Note 6)			
—Basic	161	157	152
—Diluted	163	166	168
CASH DIVIDENDS DECLARED PER COMMON SHARE	$ 0.8600	$ 0.7500	$ 0.5750

The accompanying notes are an integral part of these consolidated financial statements.

WILLIS GROUP HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEETS

	December 31, 2005	December 31, 2004 As adjusted (Note 2)
	(millions, except share data)	
ASSETS		
Cash and cash equivalents	$ 193	$ 351
Fiduciary funds—restricted (Note 7)	1,563	1,505
Short-term investments (Note 7)	65	74
Accounts receivable, net of allowance for doubtful accounts of $31 in 2005 and $39 in 2004 (Note 2)	8,026	7,316
Fixed assets (Note 2)	212	249
Goodwill and other intangible assets, net of accumulated amortization of $138 in 2005 and $127 in 2004	1,584	1,551
Investments in associates (Note 5)	129	132
Deferred tax assets (Note 4)	174	191
Other assets	248	272
TOTAL ASSETS	$ 12,194	$ 11,641
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 9,148	$ 8,562
Deferred revenue and accrued expenses	367	351
Income taxes payable	153	147
Long-term debt (Note 8)	600	450
Other liabilities	645	699
Total liabilities	10,913	10,209
COMMITMENTS AND CONTINGENCIES (Note 14)		
MINORITY INTEREST	25	20
STOCKHOLDERS' EQUITY		
Common shares, $0.000115 par value; Authorized: 4,000,000,000;		
Issued and outstanding, 156,958,269 shares in 2005 and 162,743,722 shares in 2004	—	—
Additional paid-in capital	557	817
Retained earnings	948	805
Accumulated other comprehensive loss, net of tax (Note 13)	(239)	(194)
Treasury stock, at cost, 370,873 shares in 2005 and 697,220 shares in 2004	(10)	(16)
Total stockholders' equity	1,256	1,412
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 12,194	$ 11,641

The accompanying notes are an integral part of these consolidated financial statements.

WILLIS GROUP HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31, 2005	2004	2003
	As adjusted (Note 2) (millions)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 281	$ 402	$ 365
Adjustments to reconcile net income to net cash provided by operating activities:			
Net gain on disposal of operations, fixed assets and short-term investments	(77)	(11)	(13)
Depreciation expense and amortization of intangible assets	54	47	39
Subordinated debt redemption expense	—	17	—
Allowance for doubtful accounts	1	10	2
Minority interest	5	3	2
Provision for deferred income taxes	38	(30)	28
Excess tax benefits from share-based payment arrangements	(45)	(130)	(94)
Share-based compensation	18	20	10
Other	(24)	(12)	19
Changes in operating assets and liabilities, net of effects from purchase of subsidiaries:			
Fiduciary funds—restricted	(148)	80	(47)
Accounts receivable	(1,171)	(60)	(93)
Accounts payable	1,085	(32)	81
Other	78	56	100
Net cash provided by operating activities	95	360	399
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on disposal of fixed assets	6	11	4
Additions to fixed assets	(32)	(49)	(57)
Net cash proceeds from sale of operations, net of cash disposed	90	10	15
Acquisitions of subsidiaries, net of cash acquired	(35)	(147)	(91)
Purchase of short-term investments	(42)	(80)	(48)
Proceeds on sale of short-term investments	47	69	42
Other	(2)	3	—
Net cash provided by (used in) investing activities	32	(183)	(135)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of debt	(450)	(370)	(198)
Draw down of term loans	—	450	—
Senior notes issued, net of debt issuance costs	593	—	—
Premium on redemption of subordinated notes	—	(17)	—
Repurchase of shares	(360)	(339)	—
Purchase of treasury stock	—	—	(1)
Proceeds from issue of shares	37	58	40
Excess tax benefits from share-based payment arrangements	45	130	94
Dividends paid	(135)	(115)	(63)
Net cash used in financing activities	(270)	(203)	(128)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(143)	(26)	136
Effect of exchange rate changes on cash and cash equivalents	(15)	13	17
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	351	364	211
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 193	$ 351	$ 364

The accompanying notes are an integral part of these consolidated financial statements.

WILLIS GROUP HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

	December 31, 2005	2004	2003
	As adjusted (Note 2) (millions, except share data)		
COMMON SHARES OUTSTANDING (thousands)			
Balance, beginning of year	162,744	159,083	148,249
Common shares issued	284	1,505	534
Repurchase of shares	(10,291)	(9,288)	—
Exercise of stock options	4,221	11,444	10,300
Balance, end of year	156,958	162,744	159,083
ADDITIONAL PAID-IN CAPITAL			
Balance, beginning of year	$ 817	$ 902	$ 748
Issue of common shares under employee stock compensation plans and related tax benefits	69	183	129
Repurchase of shares	(360)	(339)	—

Issue of common shares for acquisitions	7	48	12
Non-cash compensation	18	20	10
Gains on sale of treasury stock	6	3	3
Balance, end of year	557	817	902
RETAINED EARNINGS			
Balance, beginning of year	805	522	246
Net income	281	402	365
Dividends	(138)	(119)	(89)
Balance, end of year	948	805	522
ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAX			
Balance, beginning of year	(194)	(127)	(157)
Foreign currency translation adjustment	(41)	8	(4)
Unrealized holding loss	—	—	(3)
Minimum pension liability adjustment	16	(59)	43
Net loss on derivative instruments	(20)	(16)	(6)
Balance, end of year	(239)	(194)	(127)
TREASURY STOCK			
Balance, beginning of year	(16)	(17)	(17)
Cost of shares acquired	—	—	(1)
Shares reissued under stock compensation plans	6	1	1
Balance, end of year	(10)	(16)	(17)
TOTAL STOCKHOLDERS' EQUITY	$ 1,256	$ 1,412	$ 1,280
COMPREHENSIVE INCOME			
Net income	$ 281	$ 402	$ 365
Other comprehensive (loss) income net of tax (Note 13)	(45)	(67)	30
Comprehensive income	$ 236	$ 335	$ 395

The accompanying notes are an integral part of these consolidated financial statements.

WILLIS GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY AND ITS OPERATIONS

Business—Willis Group Holdings Limited ("Willis Group Holdings") and subsidiaries (collectively, the "Company") provide a broad range of value-added risk management consulting and insurance brokerage services, both directly and indirectly through their associates, to a diverse base of clients internationally. The Company provides specialized risk management advisory and other services on a global basis to clients in various industries, including aerospace, marine, energy and construction industries. In its capacity as an advisor and insurance broker, the Company acts as an intermediary between clients and insurance carriers by advising clients on risk management requirements, helping clients determine the best means of managing risk, and negotiating and placing insurance risk with insurance carriers through the Company's global distribution network.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

A summary of the major accounting policies followed in the preparation of the accompanying consolidated financial statements, which conform to accounting principles generally accepted in the United States of America ("US GAAP"), is presented below.

Accounting Changes—With effect from January 1, 2006, the Company adopted SFAS 123R, *Share-Based Payment*, using the modified-retrospective transition method. The Company also changed the methodology used to determine the market-related value of UK pension plan assets.

The Company has two principal defined benefit plans: one in the United Kingdom and the other in the United States. Prior to January 1, 2006, the market-related value of the UK pension plan assets was determined using a calculated value whereas the market-related value of US pension plan assets was determined on a fair value basis. Changing to a fair value basis for UK pension plan assets aligns the accounting for the two schemes.

Each of these accounting changes is discussed in more detail below. The subsequent tables set out the line items in the consolidated financial statements and any affected per-share amounts that have been retrospectively adjusted to reflect the changes.

Pensions—SFAS 87, *Employers' Accounting for Pensions*, requires the expected return on plan assets to be determined based on the expected long-term rate of return on plan assets and the market-related value of plan assets. The market-related value of plan assets may either be a fair value or a calculated value that recognizes changes in a systematic and rational manner over not more than five years. Up to December 31, 2005, the market-related value of UK pension plan assets was determined using a calculated value that recognized asset gains or losses over five years. Effective January 1, 2006, the Company changed its method for determining the market-related value of UK pension plan assets to a fair value basis. The Company believes that fair value is a preferable measure of determining the market-related value of plan assets as it more fairly reflects the actual value of pension plan assets as of the balance sheet date. In addition, it brings the methodology used for calculating the market-related value of UK plan assets in line with the fair value methodology already used to value US plan assets.

In accordance with SFAS 154, *Accounting Changes and Error Corrections*, the change in method of determining the market-related value of plan assets has been applied retrospectively by adjusting all periods presented.

Share-based compensation—Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS 123R, using the modified-retrospective transition method. Under that

WILLIS GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

transition method, compensation cost recognized from January 1, 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123, *Accounting for Stock-Based Compensation*, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123R.

Results for all periods have been retrospectively adjusted to recognize the compensation cost previously reported in the pro forma footnote disclosures under the provisions of SFAS 123.

The following tables present the line items on the consolidated statements of operations for the years ended December 31, 2005, 2004 and 2003, which were retrospectively adjusted to reflect the accounting changes:

	Year ended December 31, 2005			
	As originally reported	Effect of pension accounting change	Adoption of SFAS 123R	As adjusted
	(millions, except per share data)			
Salaries and benefits	$ (1,356)	$ (10)	$ (18)	$ (1,384)
Operating income	479	(10)	(18)	451
Income taxes	(152)	3	6	(143)
Net income	300	(7)	(12)	281
Basic earnings per share	$ 1.86	$ (0.04)	$ (0.07)	$ 1.75
Diluted earnings per share	$ 1.83	$ (0.04)	$ (0.07)	$ 1.72

	Year ended December 31, 2004			
	As originally reported	Effect of pension accounting change	Adoption of SFAS 123R	As adjusted
	(millions, except per share data)			
Salaries and benefits	$ (1,182)	$ (27)	$ (9)	$ (1,218)
Operating income	666	(27)	(9)	630
Income taxes	(208)	8	3	(197)
Net income	427	(19)	(6)	402
Basic earnings per share	$ 2.72	$ (0.12)	$ (0.04)	$ 2.56
Diluted earnings per share	$ 2.54	$ (0.09)	$ (0.03)	$ 2.42

	Year ended December 31, 2003			
	As originally reported	Effect of pension accounting change	Adoption of SFAS 123R	As adjusted
	(millions, except per share data)			
Salaries and benefits	$ (1,059)	$ (37)	$ 10	$ (1,086)
Operating income	620	(37)	10	593
Income taxes	(159)	12	(34)	(181)
Net income	414	(25)	(24)	365
Basic earnings per share	$ 2.72	$ (0.16)	$ (0.16)	$ 2.40
Diluted earnings per share	$ 2.45	$ (0.15)	$ (0.13)	$ 2.17

WILLIS GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following tables present the line items on the consolidated balance sheets at December 31, 2005 and 2004, which were retrospectively adjusted to reflect the accounting changes:

	December 31, 2005			
	As originally reported	Effect of pension accounting change	Adoption of SFAS 123R	As adjusted
	(millions)			
Deferred tax assets	$ 166	$ —	$ 8	$ 174
Total assets	12,186	—	8	12,194
Additional paid-in capital	685	—	(128)	557
Retained earnings	837	(25)	136	948

Accumulated other comprehensive loss, net of tax	(264)	25	—	(239)
Total stockholders' equity	1,248	—	8	1,256
Total liabilities and stockholders' equity	$ 12,186	$ —	$ 8	$ 12,194

	December 31, 2004			
	As originally reported	Effect of pension accounting change	Adoption of SFAS 123R	As adjusted
	(millions)			
Deferred tax assets	$ 203	$ —	$ (12)	$ 191
Total assets	11,653	—	(12)	11,641
Additional paid-in capital	977	—	(160)	817
Retained earnings	675	(18)	148	805
Accumulated other comprehensive loss, net of tax	(212)	18	—	(194)
Total stockholders' equity	1,424	—	(12)	1,412
Total liabilities and stockholders' equity	$ 11,653	$ —	$ (12)	$ 11,641

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following tables present the line items on the consolidated statements of cash flows for the years ended December 31, 2005, 2004 and 2003, which were retrospectively adjusted to reflect the accounting changes:

	Year ended December 31, 2005			
	As originally reported	Effect of pension accounting change	Adoption of SFAS 123R	As adjusted
	(millions)			
Net income	$ 300	$ (7)	$ (12)	$ 281
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for deferred income taxes	47	(3)	(6)	38
Excess tax benefits from share-based compensation arrangements	—	—	(45)	(45)
Share-based compensation.	—	—	18	18
Changes in operating assets and liabilities, net of effects from purchases of subsidiaries:				
Other assets and liabilities	68	10	—	78
Net cash provided by operating activities	140	—	(45)	95
Cash flows from financing activities:				
Excess tax benefits from share-based compensation arrangements	—	—	45	45
Net cash used in financing activities	$ (315)	$ —	$ 45	$ (270)

	Year ended December 31, 2004			
	As originally reported	Effect of pension accounting change	Adoption of SFAS 123R	As adjusted
	(millions)			
Net income	$ 427	$ (19)	$ (6)	$ 402
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for deferred income taxes	(19)	(8)	(3)	(30)
Excess tax benefits from share-based compensation arrangements	—	—	(130)	(130)
Share-based compensation	11	—	9	20
Changes in operating assets and liabilities, net of effects from purchases of subsidiaries:				
Other assets and liabilities	29	27	—	56
Net cash provided by operating activities	490	—	(130)	360
Cash flows from financing activities:				
Excess tax benefits from share-based compensation arrangements	—	—	130	130
Net cash used in financing activities	$ (333)	$ —	$ 130	$ (203)

	Year ended December 31, 2003			
	As originally reported	Effect of pension accounting change	Adoption of SFAS 123R	As adjusted
	(millions)			
Net income	$ 414	$ (25)	$ (24)	$ 365
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for deferred income taxes	6	(12)	34	28
Excess tax benefits from share-based compensation arrangements	—	—	(94)	(94)
Share-based compensation.	20	—	(10)	10
Changes in operating assets and liabilities, net of effects from purchases of subsidiaries:				
Other assets and liabilities	63	37	—	100
Net cash provided by operating activities	493	—	(94)	399
Cash flows from financing activities:				
Excess tax benefits from share-based compensation arrangements	—	—	94	94
Net cash used in financing activities	$ (222)	$ —	$ 94	$ (128)

The following table presents the cumulative effect of accounting changes as of January 1, 2004:

	January 1, 2004			
	As originally reported	Effect of pension accounting change	Adoption of SFAS 123R	As adjusted
	(millions)			
Deferred tax assets	$ 141	$—	$ (44)	$ 97
Total assets	10,958	—	(44)	10,914
Additional paid-in capital	1,100	—	(198)	902
Retained earnings	367	1	154	522
Accumulated other comprehensive loss, net of tax	(126)	(1)	—	(127)
Total stockholders' equity	1,324	—	(44)	1,280
Total liabilities and stockholders' equity	$ 10,958	$—	$ (44)	$ 10,914

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following tables present the line items on the consolidated statements of comprehensive income at December 31, 2005, 2004 and 2003, which were retrospectively adjusted to reflect the accounting changes:

	December 31, 2005			
	As originally reported	Effect of pension accounting change	Adoption of SFAS 123R	As adjusted
	(millions)			
Net income	$300	$ (7)	$ (12)	$ 281
Other comprehensive loss, net of tax	(52)	7	—	(45)
Comprehensive income	$248	$—	$ (12)	$ 236

	December 31, 2004			
	As originally reported	Effect of pension accounting change	Adoption of SFAS 123R	As adjusted
	(millions)			
Net income	$427	$ (19)	$ (6)	$ 402
Other comprehensive loss (net of tax)	(86)	19	—	(67)
Comprehensive income	$341	$ —	$ (6)	$ 335

	December 31, 2003			
	As originally reported	Effect of pension accounting change	Adoption of SFAS 123R	As adjusted
	(millions)			
Net income	$414	$ (25)	$ (24)	$ 365
Other comprehensive income, net of tax	5	25	—	30
Comprehensive income	$419	$ —	$ (24)	$ 395

Principles of Consolidation—The accompanying consolidated financial statements include the accounts of Willis Group Holdings and its subsidiaries, all of which are controlled through the ownership of a majority voting interest. Intercompany balances and transactions have been eliminated on consolidation.

Foreign Currency Translation—Transactions in currencies other than the functional currency of the entity are recorded at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities in currencies other than the functional currency are translated at the rates of exchange prevailing at the balance sheet date and the related transaction gains and losses are reported in the statements of operations. Certain intercompany loans are determined to be of a long-term investment nature. The Company records transaction gains and losses from remeasuring such loans as a component of other comprehensive income.

Upon consolidation, the results of operations of subsidiaries and associates whose functional currency is other than the US dollar are translated into US dollars at the average exchange rate and assets and liabilities are translated at year-end exchange rates. Translation adjustments are presented as a separate

---

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

component of other comprehensive income in the financial statements and are included in net income only upon sale or liquidation of the underlying foreign subsidiary or associated company.

Use of Estimates—The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenses during the year. In the preparation of these consolidated financial statements, estimates and assumptions have been made by management concerning the selection of useful lives of fixed assets and intangible assets, provisions necessary for trade receivables and liabilities, the carrying value of investments, income tax valuation allowances and other similar evaluations. Actual results could differ from those estimates.

Cash and Cash Equivalents—Cash and cash equivalents primarily consist of time deposits and certificates of deposit with original maturities of three months or less.

Fiduciary Funds—Restricted—Fiduciary funds-restricted represent unremitted premiums received from insureds and unremitted claims received from insurers. Fiduciary funds are generally required to be kept in certain regulated bank accounts subject to guidelines which emphasize capital preservation and liquidity; such funds are not available to service the Company's debt or for other corporate purposes. Notwithstanding the legal relationships with clients and insurers, the Company is entitled to retain investment income earned on fiduciary funds in accordance with industry custom and practice and, in some cases, as supported by agreements with insureds.

Included in fiduciary funds-restricted are cash and cash equivalents consisting primarily of time deposits, certificates of deposit and debt securities. These securities are classified as available-for-sale, and as such are carried at fair market value, with unrealized gains and losses, including foreign exchange fluctuations, reported in other comprehensive income. Realized gains and losses on investments sold are included in net income and are derived using the specific identification method for determining the cost of securities.

Short-Term Investments—The Company classifies all short-term investments as available-for-sale in accordance with the provisions of Statement of Financial Accounting Standard ("SFAS") No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. These securities are carried at fair market value, with unrealized gains and losses reported in other comprehensive income. Realized gains and losses on investments sold are included in net income and are derived using the specific identification method for determining the cost of securities.

Accounts Receivable and Accounts Payable—In its capacity as an insurance agent or broker, the Company collects premiums from insureds and, after deducting its commissions, remits the premiums to the respective insurers; the Company also collects claims or refunds from insurers on behalf of insureds. Uncollected premiums from insureds and uncollected claims or refunds from insurers are recorded as accounts receivable on the Company's consolidated balance sheets. Unremitted insurance premiums and claims are held in a fiduciary capacity. The obligation to remit these funds is recorded as accounts payable on the Company's consolidated balance sheets. The period for which the Company holds such funds is dependent upon the date the insured remits the payment of the premium to the Company and the date the Company is required to forward such payment to the insurer. Balances arising from insurance brokerage

---

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

transactions are reported as separate assets or liabilities unless such balances are due to or from the same party and a right of offset exists, in which case the balances are recorded net.

Accounts receivable are stated at estimated net realizable values. Allowances are recorded, when necessary, in an amount considered by management to be sufficient to meet probable future losses related to uncollectible accounts. The write-off of accounts receivable was $4 million, $5 million and $2 million in the years ended December 31, 2005, 2004 and 2003, respectively.

Fixed Assets—Fixed assets are stated at cost less accumulated depreciation. Expenditures for improvements are capitalized; repairs and maintenance are charged to expenses as incurred. Depreciation is computed using the straight-line method based on the estimated useful lives of assets.

Depreciation on buildings and long leaseholds is calculated over the lesser of 50 years or the lease term. Depreciation on leasehold improvements is calculated over the lesser of the useful life of the assets or the lease term. Depreciation on furniture and equipment is calculated based on a range of 3 to 25 years.

The components of fixed assets are as follows:

	December 31, 2005	December 31, 2004
	(millions)	
Land and buildings	$ 130	$ 138
Leasehold improvements	40	52
Furniture and equipment	232	268
Total fixed assets, cost	402	458
Less accumulated depreciation	(190)	(209)
Total fixed assets, net	$ 212	$ 249

Recoverability of Fixed Assets—In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, long-lived assets and certain identifiable intangible assets held and used by a company are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the Company estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the undiscounted future cash flow is less than the carrying amount of the asset, the asset is deemed impaired. The amount of the impairment is measured as the difference between the carrying value and the fair value of the asset. Long-lived assets and certain identifiable intangible assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Goodwill and Other Intangible Assets—Goodwill represents the excess of the cost of businesses acquired over the fair market value of identifiable net assets at the dates of acquisition. The Company reviews goodwill for impairment annually and whenever facts or circumstances indicate that the carrying amounts may not be recoverable. As part of the evaluation the estimated future undiscounted cash flows associated with the underlying business operation are compared to the carrying amount of goodwill to determine if a write-down is required. If such an assessment indicates that the undiscounted future cash flows will not be recovered, the carrying amount is reduced to the estimated fair value. Acquired intangible assets are being amortized on a straight-line basis over their estimated useful life.

Investments in Associates—Investments in entities less than 50% owned in which the Company has the ability to exercise significant influence are accounted for by the equity method of accounting whereby the

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

investment is carried at cost of acquisition, plus the Company's equity in undistributed net income since acquisition, less dividends received. Investments in entities less than 20% owned are accounted for by the cost method. Such investments are not publicly traded. The Company periodically reviews its investments in associates for which fair value is less than cost to determine if the decline in value is other than temporary. If the decline in value is judged to be other than temporary, the cost basis of the investment is written down to fair value. The amount of any write-down is included in the statement of operations as a realized loss.

Put and Call Options Relating to Subsidiaries and Associates—For certain subsidiaries and associates, the Company has the right to purchase shares (a call option) from co-shareholders at various dates in the future. In addition, the co-shareholders of certain subsidiaries and associates have the right to sell their shares (a put option) to the Company at various dates in the future. Generally, the exercise price of such puts and calls is formula-based (using revenues and earnings) and is designed to reflect fair value. On inception of an option agreement, the Company records the puts and calls at fair value. The put and call options are subsequently marked to market at each reporting period with changes in value being recognized in the statements of operations.

Derivative Financial Instruments—The Company uses derivative financial instruments for other than trading purposes to alter the risk profile of an existing underlying exposure. Interest rate swaps are used to manage interest risk exposures. Forward foreign currency exchange contracts are used to manage currency exposures arising from future income. The fair values of derivative contracts are recorded in other assets and other liabilities with changes in fair value of derivatives that qualify for hedge accounting recorded in other comprehensive income and changes in fair value of derivatives that do not qualify for hedge accounting, together with any hedge ineffectiveness, recorded in other operating expenses. Amounts are reclassified from other comprehensive income into earnings when the hedged exposure affects earnings.

Income Taxes—The Company accounts for income taxes under the provisions of SFAS No. 109, *Accounting for Income Taxes* ("SFAS 109"). The Company is subject to the income tax laws of the various tax jurisdictions in which the Company operates, principally the United States and United Kingdom. These tax laws are complex and subject to different interpretations by taxpayers and the tax authorities. When establishing income tax provisions, the Company therefore makes a number of judgments and interpretations about the application and interaction of these tax laws. The Company has estimated tax reserves that management believe are adequate in relation to the potential for future assessments. Once established, the Company only adjusts tax reserves when more information is available or when an event occurs necessitating a change to tax reserves. Changes in these tax laws or our interpretations of these laws and the resolution of current and future tax audits could significantly impact the Company's effective tax rate and results of operations in a given period.

SFAS 109 requires recognition of deferred tax assets and liabilities for the estimated future tax consequences of events attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating and capital loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted rates in effect for the year in which the differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the statement of operations in the period in which the enactment date changes. Deferred tax assets and liabilities are reduced through the establishment of a valuation allowance at such time as, based on available evidence, it is more likely than not that the deferred tax assets will not be realized.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions—The Company accounts for pension expense in accordance with SFAS No. 87, *Employers' Accounting for Pensions*. Pension information is presented in accordance with SFAS No. 132 (Revised 2003), *Employers' Disclosures About Pensions and Other Post Retirement Benefits*.

Share-Based Compensation—The Company accounts for share-based compensation in accordance with SFAS No. 123 (revised 2004), *Share-Based Payment* ("SFAS 123R"). SFAS 123R replaces SFAS 123 and supersedes APB 25. SFAS 123R requires that the cost resulting from all share-based payment transactions be recognized in the financial statements at fair value and that excess tax benefits be reported as a financing cash inflow rather than as a reduction of taxes paid.

Revenue Recognition—Revenue includes insurance commissions, fees for services rendered, certain commissions receivable from insurance carriers and investment income earned on fiduciary balances.

The Company takes credit for commissions (or fees negotiated in lieu of commission) in respect of insurance placements at the date when the insured is billed or at the inception date of the policy, whichever is later. Commissions on additional premiums and adjustments are recognized as and when advised. Fees for risk management and other services are recognized as the services are provided. Negotiated fee arrangements for an agreed period covering multiple insurance placements, the provision of risk management and/or other services are determined, contract by contract, on the basis of the relative fair value of the services completed and the services yet to be rendered. The Company establishes contract cancellation reserves where appropriate; at December 31, 2005, 2004 and 2003, such amounts were not material.

In October 2004, the Company announced that it was voluntarily abolishing volume and profit-based contingent commissions. Such commissions were recognized at the earlier of the date when cash was received, or when formal, written notification of the actual amount due was received from the insurance carrier. If some of the commissions received were potentially subject to full or partial repayment to the carrier, then recognition was deferred until the conditions for repayment had passed.

Investment income is recognized as earned.

Reclassifications—Certain reclassifications have been made to the prior year amounts to conform to the current year presentation.

3. NET GAIN ON DISPOSAL OF OPERATIONS

Total proceeds relating to 2005 dispositions of subsidiaries and associates amounted to $97 million, inclusive of deferred proceeds amounting to $1 million. A net gain of $78 million is recorded in the consolidated statement of operations which relates primarily to the gain arising on the sale of the Company's US wholesale unit Stewart Smith on April 14, 2005.

The carrying amounts of the Stewart Smith assets and liabilities disposed of are as follows:

	(millions)
Current assets	$ 93
Fixed assets	1
Current liabilities	(91)

3. NET GAIN ON DISPOSAL OF OPERATIONS (Continued)

Total proceeds relating to 2004 dispositions of subsidiaries and associates amounted to $10 million, inclusive of deferred proceeds amounting to $2 million, with a gain of $11 million recorded in the consolidated statement of operations.

Total proceeds relating to 2003 dispositions of subsidiaries and associates amounted to $16 million, inclusive of deferred proceeds amounting to $2 million, with a gain of $11 million recorded in the consolidated statement of operations.

4. INCOME TAXES

The components of income before income taxes, equity in net income of associates and minority interest are as follows:

	Years ended December 31,		
	2005	2004	2003
	(millions)		
US	$ 111	$ 136	$ 145
UK	205	311	300
Other jurisdictions	105	144	95
Income before incomes taxes, equity in net income of associates and minority interest	$ 421	$ 591	$ 540

The provision for income taxes by location of the taxing jurisdiction consisted of the following:

Years ended December 31,		
2005	2004	2003

		(millions)	
Current income taxes:			
US federal tax	$ 10	$ 70	$ 34
US state and local taxes	6	12	10
UK corporation tax	54	108	73
Other jurisdictions	35	37	37
Total current taxes	105	227	154
Deferred taxes:			
US federal tax	19	(33)	23
US state and local taxes	3	(6)	1
UK corporation tax[(1)]	15	9	3
Other jurisdictions	1	—	—
Total deferred taxes	38	(30)	27
Total income taxes	$143	$197	$181

(1) In 2003, certain changes to UK tax legislation were enacted regarding the taxation of employee stock options. When UK-based employees exercise their stock options, the Company now obtains a corporate tax deduction equal to the market price of the Company's shares on the date of exercise less the option exercise price paid by the employee.

4. INCOME TAXES (Continued)

Share-based compensation amounting to $9 million in respect of UK stock options was expensed in periods prior to January 1, 2003 without any income tax benefit being recognized.

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on its income, profits or capital gains. The following table reconciles the income tax expense in these financial statements to that which would be expected at the US federal statutory income tax rate:

	Years ended December 31,		
	2005	2004	2003
		(millions)	
Income before income taxes, equity in net income of associates and minority interest	$ 421	$ 591	$ 540
US federal statutory income tax rate	35%	35%	35%
Income tax expense at US federal tax rate	147	207	189
Adjustments to derive effective rate:			
Non-deductible items			
Intangible assets	8	2	1
Stock options	—	1	—
Other	1	8	1
Other items:			
Prior year adjustment	(3)	1	—
Tax differentials of foreign earnings:			
UK earnings	(10)	(29)	(14)
Other jurisdictions and US State Taxes	10	19	9
Other	(10)	(12)	(5)
Provision for income taxes	$ 143	$ 197	$ 181

4. INCOME TAXES (Continued)

The significant components of deferred income tax assets and liabilities and their balance sheet classifications are as follows:

	December 31,	
	2005	2004
	(millions)	
Deferred tax assets:		
Accrued expenses not currently deductible	$ 9	$ 17
US net operating losses	37	51
UK net operating losses	32	36
UK capital losses	78	87
Accrued retirement benefits	93	101
Provisions	26	33

Deferred compensation	23	19
Stock options	12	11
Other	9	10
Gross deferred tax assets	319	365
Less: valuation allowance	(110)	(123)
Net deferred tax assets	209	242
Deferred tax liabilities:		
Financial derivative transactions	—	8
Prepaid retirement benefits	15	15
Tax-leasing transactions	7	9
Other	13	19
Deferred tax liabilities	35	51
Net deferred tax assets	$ 174	$ 191

At December 31, 2005, the Company had a valuation allowance of $110 million (2004: $123 million) to reduce its deferred tax assets to estimated realizable value. The valuation allowance relates to the deferred tax assets arising from UK tax operating loss carryforwards and UK capital loss carryforwards, both of which have no expiration date. UK tax operating loss carryforwards can only be used against income arising in certain UK subsidiaries. In addition, the capital loss carryforwards can only be offset against future UK capital gains. US tax operating loss carryforwards will largely expire in 2023 and 2024 unless otherwise utilized. Management expects to fully utilize these loss carryforwards prior to expiration.

At December 31, 2005, the Company had deferred tax assets of $209 million (2004: $242 million), net of the valuation allowance. Management believes, based upon the level of historical taxable income and projections for future taxable income over the periods in which the temporary differences are anticipated to reverse, and prudent and feasible tax-planning strategies, it is more likely than not that the Company will realize the benefits of these deductible differences, net of the valuation allowance. However, the amount of the deferred tax asset considered realizable could be adjusted in the future if estimates of taxable income are revised. In the event that the valuation allowance of $110 million at December 31, 2005 (2004: $123 million) is reduced in future years to recognize deferred tax assets, an amount of up to $77 million (2004: $87 million) will be allocated to reduce goodwill.

4. INCOME TAXES (Continued)

The Company recognizes current and deferred tax balances related to the undistributed earnings of subsidiaries when the Company expects that it will recover those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of the investments. The Company does not, however, provide for income taxes on the unremitted earnings of certain other subsidiaries where, in management's opinion, such earnings have been indefinitely reinvested in those operations, or will be remitted either in a tax free liquidation or as dividends with taxes substantially offset by foreign tax credits. It is not practical to determine the amount of unrecognized deferred tax liabilities for temporary differences related to these investments.

5. INVESTMENTS IN ASSOCIATES

The Company holds a number of investments which it accounts for using the equity method. The Company's interest in the outstanding stock of the more significant associates is as follows:

		December 31,	
	Country	**2005**	**2004**
Al-Futtaim Willis Co. L.L.C. (previously Al-Futtaim Willis Faber (Private) Limited)	Dubai	49%	49%
Gras Savoye & Cie ("Gras Savoye")	France	33%	33%
Willis Pudong Insurance Brokers Co. Limited(1)	China	—	50%

(1) On December 22, 2005, the Company acquired a further 1 percent shareholding in Willis Pudong Insurance Brokers Co. Limited, based in Shanghai, China bringing total ownership to 51%. This was fully consolidated as a subsidiary at the year end.

Of those listed above, the Company's principal investment as of December 31, 2005 and 2004 is Gras Savoye, France's leading insurance broker. Included in the carrying amount of the Gras Savoye investment is goodwill of $72 million, net of accumulated goodwill amortization of $7 million, recorded prior to the adoption of SFAS 142, *Goodwill and Other Intangible Assets* ("SFAS 142"), as of both December 31, 2005 and 2004. As of December 31, 2005 and 2004, the Company's other investments in associates individually and in the aggregate were not material to the Company's operations.

On July 23, 1997, the Company entered into an agreement with Gras Savoye whereby, among other things, the co-shareholders of Gras Savoye (other than management) have the right to sell (put option) their shares to the Company possibly increasing the Company's ownership interest from 33 percent to 90 percent. Management shareholders of Gras Savoye, representing approximately 10% of the outstanding shares, do not have general put rights before 2011, but have certain put rights on their death, disability or retirement. The option expires in 2011 and Gras Savoye's eligible co-shareholders may exercise their rights from January 1, 2001. In addition, the Company has the right to purchase (call option) at least 50.1 percent of Gras Savoye's shares from the co-shareholders. The call option is exercisable from December 1, 2009 until February 1, 2010. The exact amount payable by the Company under the put and call is based on formula-based price contingent on Gras Savoye's future results.

5. INVESTMENTS IN ASSOCIATES (Continued)

Unaudited condensed financial information for associates, in the aggregate, as of and for the years ended December 31, is presented below. For convenience purposes: (i) balance sheet data has been translated to US dollars at the relevant year-end exchange rate, and (ii) condensed statement of operations data has been translated to US dollars at the relevant average exchange rate.

	2005	2004 (millions)	2003
Condensed statements of operations data:			
Total revenues	$ 412	$ 396	$ 386
Income before income taxes	67	71	67
Net income	44	46	44
Condensed balance sheets data:			
Total assets	1,095	1,305	1,164
Total liabilities	(926)	(1,138)	(1,033)
Stockholders' equity	(169)	(167)	(131)

6. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing net income by the average number of shares outstanding during each period. The computation of diluted earnings per share reflects the potential dilution that could occur if dilutive securities and other contracts to issue shares were exercised or converted into shares or resulted in the issue of shares that then shared in the net income of the Company.

For the year ended December 31, 2005, time-based and performance-based options to purchase 11.8 million and 1.0 million (2004: 14.0 million and 3.0 million; 2003: 15.1 million and 7.3 million) shares, respectively, and 0.3 million restricted shares (2004: 0.4 million and 2003: 0.3 million), respectively, were outstanding. Basic and diluted earnings per share are as follows:

	Years ended December 31, 2005	2004	2003
	(millions, except per share data)		
Net income	$ 281	$ 402	$ 365
Basic average number of shares outstanding	161	157	152
Dilutive effect of potentially issuable shares	2	9	16
Diluted average number of shares outstanding	163	166	168
Basic earnings per share	$ 1.75	$ 2.56	$ 2.40
Dilutive effect of potentially issuable shares	(0.03)	(0.14)	(0.23)
Diluted earnings per share	$ 1.72	$ 2.42	$ 2.17

Options to purchase 4.9 million shares for the year ended December 31, 2005 were not included in the computation of the dilutive effect of stock options because the effect was antidilutive (2004: 5.0 million shares; 2003: nil).

7. FIDUCIARY FUNDS—RESTRICTED AND SHORT-TERM INVESTMENTS

The Company's fiduciary funds-restricted and short-term investments consist of cash, time deposits, certificates of deposit and debt securities. Accrued interest on investments is recorded as other assets.

The debt securities are classified as available-for-sale. Accordingly, they are recorded at fair market value with unrealized holding gains and losses reported, net of tax, as a component of other comprehensive income. As of December 31, 2005 and 2004, the amortized cost of such securities approximated fair value.

Realized gains and losses, net of tax, on debt securities are included in net income. During years ended December 31, 2005, 2004 and 2003, sales of debt securities totaled $47 million, $79 million and $59 million, respectively, on which realized gains and losses were not material to the consolidated results of the Company. Fiduciary funds-restricted, consisting primarily of time deposits and certificates of deposit with original maturities of three months or less, were $1,563 million as of December 31, 2005 (2004: $1,505 million).

Short-term investments consist of the following:

	December 31, 2005	2004
	(millions)	
Short-term investments:(1)		
US, UK and other Government securities	$ 42	$ 32
Corporate debt securities	23	42
	$ 65	$ 74

(1) Debt securities classified as available-for-sale.

In accordance with FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities an interpretation of ARB No. 51* ("FIN 46(R)"), the financial statements for the year ended December 31, 2005 reflect the consolidation of one Variable Interest Entity ("VIE"), a UK non-statutory trust that was established in January 2005 following the introduction of statutory regulation of insurance in the UK by the Financial Services Authority ("FSA"). The new regulation requires that all fiduciary funds collected by an insurance broker such as Willis be paid into a non-statutory trust designed to give additional credit protection to the insurance carriers and clients of Willis. This trust restricts the financial instruments in which such funds may be invested and affects the timing of transferring commission from fiduciary funds to own funds. As a result of the new regulation, approximately $155 million of own funds were reclassified to fiduciary funds in January 2005. As of December 31, 2005, the fair value of the assets in the VIE was approximately $1,022 million and the fair value of the associated liabilities was approximately $1,022 million. There are no assets of the Company that serve as collateral for the VIE.

8. LONG-TERM DEBT

Long-term debt consists of the following:

	December 31, 2005	December 31, 2004
	(millions)	
5.125% Senior Notes due 2010	$ 250	$ —
5.625% Senior Notes due 2015	350	—
Senior Credit Facility, term loans	—	450
	$ 600	$ 450

Senior Credit Facility—On December 4, 2003, the Company entered into a credit agreement providing a $450 million term loan facility and a $150 million revolving credit facility.

On February 2, 2004, the Company redeemed all the then outstanding 9% senior subordinated notes at a redemption price of 104.5% of the aggregate principal amount of the notes being redeemed, resulting in a premium of $17 million, plus accrued and unpaid interest. On the same day, the Company drew down $300 million of term loans under the $450 million senior credit facility. The remaining $150 million of term loans under the senior credit facility was drawn down on June 1, 2004.

Senior Notes Offering—On July 1, 2005, the Company completed a senior notes offering of $600 million, comprising $250 million, 5 year notes priced at 5.125 percent and $350 million, 10 year notes priced at 5.625 percent. The net proceeds from the offering were used to repay the then existing $450 million term loans on July 6, 2005 and for general corporate purposes including additional pension fund contributions of $50 million.

Revolving Credit Facility—On October 17, 2005, the Company completed the re-financing of the 2003 undrawn revolving credit facility of $150 million by replacing it with a $300 million revolving credit facility with a term of 5 years. The revolving credit facility is available for working capital requirements and general corporate purposes, subject to certain limitations, until October 17, 2010. Drawdowns against the facility are available in US dollars, pounds sterling and certain other currencies, initially bearing interest at LIBOR plus 45 basis points. The revolving credit facility remains undrawn as at December 31, 2005.

The revolving credit facility agreement contains numerous operating and financial covenants, including requirements to maintain minimum ratios of consolidated EBITDA to consolidated net interest expense and maximum levels of net indebtedness in relation to consolidated EBITDA, in each case subject to certain adjustments.

In addition, the credit agreement includes covenants relating to the delivery of financial statements, reports and notices, limitations on liens, limitations on sales and other disposals of assets, limitations on indebtedness and other liabilities, limitations on sale and leaseback transactions, limitations on mergers and other fundamental changes, maintenance of property, maintenance of insurance, nature of business, compliance with applicable laws, maintenance of corporate existence and rights, use of proceeds, payment of taxes and access to information and properties. At December 31, 2005, the Company was in compliance with all covenants.

All obligations of Willis North America Inc. (“Willis North America”) (the borrower) under the credit agreement and under the Senior Notes offering are guaranteed by Willis Group Holdings Limited, Trinity

8. LONG-TERM DEBT (Continued)

Acquisition Limited, Willis Group Limited, TA I Limited, TA II Limited, TA III Limited and TA IV Limited.

Lines of Credit—Excluding the $300 million revolving credit facility, the Company also has available $3 million (2004: $5 million) in lines of credit, of which $nil (2004: $nil) was drawn as of December 31, 2005.

9. PENSION PLANS

The Company has two principal defined benefit pension plans funded externally which cover all eligible employees. One plan exists in the United Kingdom and the other in the United States. It is the Company’s policy to fund pension costs as required by applicable laws and regulations.

9. PENSION PLANS (Continued)

The following schedules provide information concerning the Company's UK and US defined benefit pension plans as of and for the years ended December 31:

	UK Pension Benefits		US Pension Benefits	
	2005	2004	2005	2004
	(millions)			
Change in benefit obligation:				
Benefit obligation, beginning of year	$ 1,764	$ 1,450	$ 539	$ 481
Service cost	47	42	24	20
Interest cost	88	81	31	29
Employee contributions	7	5	—	—
Actuarial loss	204	135	9	27
Benefits paid	(63)	(64)	(18)	(18)
Foreign currency changes	(199)	115	—	—
Plan amendments	—	—	(11)	—
Benefit obligations, end of year	1,848	1,764	574	539
Change in plan assets:				
Fair value of plan assets, beginning of year	1,539	1,311	423	376
Actual return on plan assets	282	154	39	45
Employee contributions	7	5	—	—
Employer contributions	74	32	31	20
Benefits paid	(63)	(64)	(18)	(18)
Foreign currency changes	(177)	101	—	—
Fair value of plan assets, end of year	1,662	1,539	475	423
Reconciliation of funded status:				
Funded status	(186)	(225)	(99)	(116)
Unrecognized net actuarial loss	344	371	63	59
Unrecognized prior service gain	(22)	(27)	(11)	—
Net asset (liability) recognized	136	119	(47)	(57)
Amounts recognized in balance sheet consist of:				
Accrued benefit liability	(126)	(165)	(68)	(74)
Accumulated other comprehensive income	262	284	21	17
Net asset (liability) recognized	$ 136	$ 119	$ (47)	$ (57)

The following table provides information for the Company's UK and US defined benefit pension plans with an accumulated benefit obligation in excess of plan assets:

	December 31,			
	UK Pension Benefits		US Pension Benefits	
	2005	2004	2005	2004
	(millions)			
Projected benefit obligation	$ 1,848	$ 1,764	$ 574	$ 539
Accumulated benefit obligation	1,788	1,704	543	498
Fair value of plan assets	1,662	1,539	475	423

9. PENSION PLANS (Continued)

The components of the net periodic benefit cost of the UK and US defined benefit plans are as follows:

	Years ended December 31,					
	UK Pension Benefits			US Pension Benefits		
	2005	2004	2003	2005	2004	2003
	(millions)					
Components of net periodic benefit cost:						
Service cost	$ 47	$ 42	$ 30	$ 24	$ 20	$ 17
Interest cost	88	81	67	31	29	27
Expected return on plan assets	(107)	(97)	(73)	(35)	(30)	(26)
Amortization of unrecognized prior service gain	(3)	(3)	(3)	—	—	—

Amortization of unrecognized actuarial loss	16	12	17	1	1	3
Net periodic benefit cost	$ 41	$ 35	$ 38	$ 21	$ 20	$ 21

The following schedule provides other information concerning the Company's UK and US defined benefit pension plans:

	Years ended December 31,			
	UK Pension Benefits		US Pension Benefits	
	2005	2004	2005	2004
	(millions, except weighted-averages)			
Decrease (increase) in additional minimum liability included in other comprehensive income	$ 25	$ (80)	$ (4)	$ (6)
Weighted-average assumptions to determine benefit obligations:				
Discount rate	4.9%	5.3%	5.8%	5.8%
Rate of compensation increase	3.6%	3.7%	4.0%	4.0%
Weighted-average assumptions to determine net periodic benefit cost:				
Discount rate	5.3%	5.5%	5.8%	6.0%
Expected return on plan assets	7.3%	7.3%	8.0%	8.0%
Rate of compensation increase	3.7%	3.6%	4.0%	4.0%

The expected return on plan assets was determined on the basis of the weighted-average of the expected future returns of the various asset classes, using the target allocations shown below. The expected returns on UK plan assets are UK and foreign equities 8.0 percent, debt securities 4.9 percent and real estate 6.2 percent. The expected returns on US plan assets are US and foreign equities 9.25 percent and debt securities 5.75 percent.

9. PENSION PLANS (Continued)

The Company's pension plan asset allocations based on fair values were as follows:

	Years ended December 31,			
	UK Pension Benefits		US Pension Benefits	
Asset Category	2005	2004	2005	2004
Equity Securities	76%	74%	70%	68%
Debt securities	15%	16%	27%	30%
Real estate	6%	6%	—	—
Other	3%	4%	3%	2%
Total	100%	100%	100%	100%

The Company's investment policy includes a mandate to diversify assets and the Company invests in a variety of asset classes to achieve that goal. The UK Plan's assets are divided into 8 separate portfolios according to asset class and managed by 7 investment managers. The broad target allocations are UK and foreign equities (75 percent), debt securities (20 percent) and real estate (5 percent). The US Plan's assets are currently invested in 16 funds representing most standard equity and debt security classes. The broad target allocations are US and foreign equities (64 percent) and debt securities (36 percent).

In 2006, the Company expects to contribute $129 million to the UK defined benefit pension plan. The Company contributed $31 million to the US plan in 2005 and expects to match or exceed this contribution level in 2006.

The following benefit payments, which reflect expected future service, as appropriate, are estimated to be paid by the UK and US defined benefit pension plans:

Expected future benefit payments	UK Pension Benefits	US Pension Benefits
	(millions)	
2006	$ 63	$ 20
2007	66	22
2008	70	23
2009	73	25
2010	77	28
2011-2015	463	183

Willis North America has a 401(k) plan covering all eligible employees of Willis North America and its subsidiaries. The plan allows participants to make pre-tax contributions and the Company provides a matching contribution of 3 percent of employees' annual eligible compensation. All investment assets of the plan are held in a trust account administered by independent trustees. The Company's 401(k) matching contributions for 2005, 2004 and 2003 were approximately $5 million, $1 million and $5 million, respectively.

10. SHARE-BASED COMPENSATION

On December 31, 2005, the Company had three share-based compensation plans, which are described below. The compensation cost that has been charged against income for those plans for the year ended

WILLIS GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. SHARE-BASED COMPENSATION (Continued)

December 31, 2005 was $18 million (2004: $20 million; 2003: $10 million). The total income tax benefit recognized in the statement of operations for share-based compensation arrangements for the year ended December 31, 2005 was $6 million (2004: $6 million; 2003: $7 million).

Stock Option Plans

The Company has adopted the plans described below providing for the grant of time-based options and performance-based options and various other share-based grants to employees. The objectives of these plans include attracting and retaining the best personnel, motivating management personnel by means of growth-related incentives to achieve long-range goals and providing employees with the opportunity to increase their share ownership in the Company.

Amended and Restated 1998 Share Purchase and Option Plan—This plan, which was established on December 18, 1998, provides for the granting of time-based and performance-based options to employees of the Company. There are 30,000,000 shares available for grant under this plan provided, however, that in no event the total number of shares subject to options and other equity for current and future participants exceed 25 percent of the equity of Willis Group Holdings on a fully diluted basis. All options granted under this plan are exercisable at £2 per share ($3.44 using the year-end exchange rate of £1 = $1.72) except for 111,111 time-based options which are exercisable at $13.50. No further grants are to be made under this plan.

Time-based options are earned upon the fulfilment of vesting requirements. Options are generally exercisable in equal instalments of 20 percent per year over a five-year period commencing on or after December 18, 2000.

Performance-based options became exercisable, subject to the fulfilment of vesting requirements with effect from January 1, 2003, upon the achievement of cash flow and EBITDA (as defined in the plan agreements) targets of Willis Group Limited. Options are generally exercisable in equal instalments of 25 percent per year over a four-year period commencing on or after December 18, 2001.

Willis Award Plan—This plan, which was established on July 13, 2000, provides for the granting of time-based options to selected employees who have been identified as superior performers. There are 5,000,000 shares available for grant under this plan provided, however, that in no event the total number of shares subject to options and other equity for current and future participants exceed 25 percent of the equity of Willis Group Holdings on a fully diluted basis. All options granted under this plan are exercisable at £2 per share ($3.44 using the year-end exchange rate of £1 = $1.72). The options vest immediately on the grant date and are exercisable any time up to July 13, 2010.

2001 Share Purchase and Option Plan—This plan, which was established on May 3, 2001, provides for the granting of time-based options and various other share-based grants at fair market value to employees of the Company. There are 25,000,000 shares available for grant under this plan. Options are exercisable on a variety of dates, including from the first, third, sixth or eighth anniversary of grant, although for certain options the exercisable date may accelerate depending on the achievement of certain performance goals. Unless terminated sooner by the Board of Directors, the 2001 Plan will expire 10 years after its adoption. That termination will not affect the validity of any grant outstanding at that date.

WILLIS GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. SHARE-BASED COMPENSATION (Continued)

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model that uses the assumptions noted in the following table. Expected volatility is based on historical volatility of the Company's stock. With effect from January 1, 2006, the Company uses the simplified method set out in Staff Accounting Bulletin No.107 to derive the expected term of options granted. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

	Years ended December 31,		
	2005	2004	2003
Expected volatility	26%	23%	24%
Expected dividends	2%	2%	2%
Expected life (years)	5	3	3
Risk-free interest rate	4.27%	2.77%	2.55%

A summary of option activity under the Plans at December 31, 2005, and changes during the year then ended is presented below:

(Options in thousands)	Shares	Weighted Average Exercise Price[1]	Weighted Average Remaining Contractual term	Aggregate Intrinsic Value ($ millions)
Time-based stock options				
Balance, beginning of year	13,913	$ 26.87		
Granted	975	$ 33.29		
Exercised	(2,175)	$ 5.18		

Forfeited	(915)	$ 32.82		
Balance, end of year	11,798	$ 30.94	7 years	76
Options vested or expected to vest at December 31, 2005	11,691	$ 30.90	7 years	76
Options exercisable at December 31, 2005	2,879	$ 23.98	6 years	38
Performance-based stock options				
Balance, beginning of year	3,010	$ 3.44		
Exercised	(1,990)	$ 3.44		
Forfeited	(32)	$ 3.44		
Balance, end of year	988	$ 3.44	4 years	33
Options vested or expected to vest at December 31, 2005	988	$ 3.44	4 years	33
Options exercisable at December 31, 2005	901	$ 3.44	4 years	30

(1) Certain options are exercisable at £2 per share. The year-end exchange rate of £1 = $1.72 has been used as of December 31, 2005.

The weighted average grant-date fair value of time-based options granted during the year ended December 31, 2005 was $8.33 (2004: $5.98; 2003: $6.27). The total intrinsic value of options exercised during the year ended December 31, 2005 was $77 million (2004: $234 million; 2003: $181 million). At December 31, 2005 there was $24 million of total unrecognized compensation cost related to nonvested

10. SHARE-BASED COMPENSATION (Continued)

share-based compensation arrangements under time-based stock option plans; that cost is expected to be recognized over a weighted average period of one year.

No performance-based options were granted during the three years ended December 31, 2005. The total intrinsic value of options exercised during the year ended December 31, 2005 was $68 million (2004: $149 million; 2003: $93 million). At December 31, 2005 there was no unrecognized compensation cost related to nonvested share-based compensation arrangements under performance-based stock option plans.

Cash received from option exercises under all share-based payment arrangements for the year ended December 31, 2005 was $26 million (2004: $53 million; 2003: $37 million). The actual tax benefit realized for the tax deductions from option exercise of the share-based payment arrangements totaled $46 million for the year ended December 31, 2005 (2004: $134 million; 2003: $97 million).

11. FINANCIAL INSTRUMENTS

The Company’s principal financial instruments, other than derivatives, comprise the fixed rate Senior Notes, an undrawn revolving credit facility, cash deposits and short-term investments. The Company also enters into derivative transactions (principally interest rate swaps and forward foreign currency contracts) in order to manage interest rate and currency risks arising from the Company’s operations and its sources of finance. The Company does not hold financial instruments for trading purposes.

The main risks arising from the Company’s financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Company’s board of directors reviews and agrees policies for managing each of these risks as summarized below. The Company has applied SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, in accounting for these financial instruments.

Interest Rate Risk—Interest ate swaps were used to generate the desired interest rate profile and to manage the Company’s exposure to interest rate fluctuations resulting from the variable rate term loan financing. This bank facility was replaced by fixed rate Senior Notes during the year and the associated interest rate swap agreements were terminated, with the resulting gain being recorded within interest expense.

As a result of the Company’s operating activities, the Company receives cash for premiums and claims which it deposits in short-term investments denominated in US dollars and other currencies. The Company earns interest on these funds, which is included in the Company’s financial statements as investment income. These funds are regulated in terms of access and the instruments in which they may be invested, most of which are short-term in maturity. In order to manage interest rate risk arising from these financial assets, the Company enters into interest rate swaps to receive a fixed rate of interest and pay a variable rate of interest fixed in the various currencies related to the short-term investments. The use of interest rate contracts essentially converts groups of short-term investments to fixed rates.

The fair value of these contracts is recorded in other assets and other liabilities. For contracts that are qualifying cash flow hedges as defined by SFAS 133, changes in fair value are recorded as a component of other comprehensive income.

11. FINANCIAL INSTRUMENTS (Continued)

Amounts are reclassified from other comprehensive income into earnings when the hedged exposure affects earnings. For contracts that do not qualify for hedge accounting as defined by SFAS 133, changes in fair value are recorded in other operating expenses.

The changes in fair value of derivative financial instruments have been recorded as follows:

	Years ended December 31, 2005	2004	2003
	(millions)		
Other Operating Expenses			
Interest rate contracts	$ —	$ 1	$ (1)
Foreign currency contracts	—	—	(2)
Other Comprehensive Income			
Interest rate contracts (net of tax of $5, $7 and $5)	(11)	(15)	(11)
Foreign currency contracts (net of tax of $4, $nil and $(3))	(9)	(1)	5

A summary of the Company's interest rate swaps by major currency is as follows:

			December 31,	Weighted Average Interest Rates	
		Notional Amount(1) (millions)	Termination Dates	Receive %	Pay %
2005					
US dollar	Receive fixed-pay variable	$872	2006-2009	4.18	4.80
Pounds sterling	Receive fixed-pay variable	315	2006-2009	4.94	4.51
Euro	Receive fixed-pay variable	140	2006-2009	3.21	3.00
2004					
US dollar	Receive fixed-pay variable	$872	2005-2008	3.88	3.48
	Receive variable-pay fixed	450	2006	3.37	3.38
Pounds sterling	Receive fixed-pay variable	428	2005-2008	5.14	4.76
Euro	Receive fixed-pay variable	169	2005-2008	3.81	2.71

(1) Notional amounts represent US dollar equivalents translated at the spot rate as of December 31.

Liquidity Risk—The Company's objective is to ensure that it has the ability to generate sufficient cash either from internal or external sources, in a timely and cost-effective manner, to meet its commitments as they fall due. The Company's management of liquidity risk is embedded within its overall risk management framework. Scenario analysis is continually undertaken to ensure that the Company's resources can meet its liquidity requirements. These resources are supplemented by a $300 million revolving credit facility which expires on October 17, 2010, of which no amount is currently drawn.

Foreign Currency Risk—The Company's objective is to maximize its cash flow in US dollars. In all locations, with the exception of the United Kingdom, the Company predominantly generates revenues and expenses in the local currency. In the United Kingdom, however, the Company earns revenues in a number

11. FINANCIAL INSTRUMENTS (Continued)

of different currencies but expenses are almost entirely in pounds sterling. This mismatch creates a currency exposure.

The Company's policy within the United Kingdom is to convert into sterling all revenues arising in currencies other than US dollars together with sufficient US dollar revenues to fund the remaining sterling expenses. Outside the United Kingdom, only those cash flows necessary to fund mismatches between revenues and expenses are converted into local currency; amounts remitted to the United Kingdom are generally converted into sterling. These transactional currency exposures are principally managed by entering into forward foreign exchange contracts.

The fair value of these contracts is recorded in other assets and other liabilities. For contracts that are qualifying cash flow hedges as defined by SFAS 133, changes in fair value are recorded as a component of other comprehensive income. Amounts are reclassified from other comprehensive income into earnings when the hedged exposure affects earnings. For contracts that do not qualify for hedge accounting as defined by SFAS 133, changes in fair value are recorded in general and administrative expenses (see table on previous page).

The table below summarizes by major currency the contractual amounts of the Company's forward contracts to exchange foreign currencies for pounds sterling. Foreign currency notional amounts are reported in US dollars translated at spot rates at December 31.

	December 31, Sell 2005(1)	Sell 2004
	(millions)	
US dollar	$141	$ 117
Euro	76	136
Japanese yen	21	31

(1) Forward exchange contracts range in maturity from 2006 to 2008.

Credit Risk and Concentrations of Credit Risk—Credit risk represents the loss that would be recognized at the reporting date if counterparties failed to perform as contracted and from movements in interest rates and foreign exchange rates. The Company does not anticipate non-performance by counterparties. The Company generally does not require collateral or other security to support financial instruments with credit risk; however, it is the Company's policy to enter into master netting arrangements with counterparties as practical.

Concentrations of credit risk that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Financial instruments on the balance sheet that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable, and derivatives which are recorded at fair value. The Company maintains a policy providing for the diversification of cash and cash equivalent investments and places such investments in an extensive number of high quality financial institutions to limit the amount of credit risk exposure. Concentrations of credit risk with respect to receivables are limited due to the large number of clients and markets in which the Company does business, as well as the

11. FINANCIAL INSTRUMENTS (Continued)

dispersion across many geographic areas. Management does not believe significant risk exists in connection with the Company's concentrations of credit as of December 31, 2005.

Fair Value—The estimated fair value of the Company's financial instruments held or issued to finance the Company's operations is summarized below. Certain estimates and judgments were required to develop the fair value amounts. The fair value amounts shown below are not necessarily indicative of the amounts that the Company would realize upon disposition nor do they indicate the Company's intent or ability to dispose of the financial instrument.

	December 31, 2005 Carrying amount	2005 Fair Value	2004 Carrying amount	2004 Fair Value
	(millions)			
Assets:				
Cash and cash equivalents	$ 193	$ 193	$ 351	$ 351
Fiduciary funds—restricted	1,563	1,563	1,505	1,505
Short-term investments	65	65	74	74
Derivative financial instruments	12	12	36	36
Liabilities:				
Long-term debt	600	601	450	450
Derivative financial instruments	12	12	7	7

The following methods and assumptions were used by the Company in estimating its fair value disclosure for financial instruments:

Cash and Cash Equivalents—The estimated fair value of these financial instruments approximates their carrying values due to their short maturities.

Fiduciary Funds—Restricted and Short-Term Investments—Fair values are based on quoted market values.

Long-Term Debt—Fair values are based on quoted market values.

Derivative Financial Instruments—Market values have been used to determine the fair value of interest rate swaps and forward foreign exchange contracts based on estimated amounts the Company would receive or have to pay to terminate the agreements, taking into account the current interest rate environment or current foreign currency forward rates.

12. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Supplemental disclosures regarding cash flow information and non-cash flow investing and financing activities are as follows:

	Years ended December 31, 2005	2004	2003
	(millions)		
Supplemental disclosures of cash flow information:			
Cash payments for income taxes	$ 62	$ 122	$ 125
Cash payments for interest	12	31	50
Supplemental disclosures of non-cash flow investing and financing activities:			
Issue of stock on acquisition of subsidiaries	$ 7	$ 48	$ 12
Deferred payments on acquisitions of subsidiaries	2	2	4
Acquisitions:			
Fair value of assets acquired	$ 15	$ 191	$ 1
Less:			
liabilities assumed	(19)	(189)	9
cash acquired	(2)	(28)	—

Net (liabilities) assets assumed, net of cash acquired	$ (6)	$ (26)	$ 10

13. ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAX

The components of comprehensive income are as follows:

	Years ended December 31,		
	2005	2004	2003
	(millions)		
Net income	$281	$402	$365
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustment	(41)	8	(4)
Unrealized holding loss (net of tax of $1 in 2003)	—	—	(3)
Minimum pension liability adjustment (net of tax of $(5) in 2005, $27 in 2004, $(23) in 2003)	16	(59)	43
Net loss on derivative instruments (net of tax of $9 in 2005, $7 in 2004, $2 in 2003)	(20)	(16)	(6)
Other comprehensive (loss) income (net of tax of $4 in 2005, $34 in 2004, $(20) in 2003)	(45)	(67)	30
Comprehensive income	$236	$335	$395

13. ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAX (Continued)

The components of accumulated other comprehensive loss, net of tax are as follows:

	December 31,		
	2005	2004	2003
	(millions)		
Net foreign currency translation adjustment	$ (45)	$ (4)	$ (12)
Net minimum pension liability adjustment	(193)	(209)	(150)
Net unrealized (loss) gain on derivative instruments	(1)	19	35
Accumulated other comprehensive loss, net of tax	$ (239)	$ (194)	$ (127)

It is estimated that $5 million of net derivative losses included in other comprehensive loss will be reclassified into earnings within the next twelve months.

14. COMMITMENTS AND CONTINGENCIES

Operating Leases—The Company leases certain land, buildings and equipment under various operating lease arrangements. Original non-cancellable lease terms typically are between 10 and 20 years and may contain escalation clauses, along with options that permit early withdrawal. The total amount of the minimum rent is expensed on a straight-line basis over the term of the lease.

As of December 31, 2005, the aggregate future minimum rental commitments under all non-cancellable operating lease agreements are as follows:

	Gross Rental Commitments	Rentals from Subleases	Net Rental Commitments
		(millions)	
2006	$ 71	$ (11)	$ 60
2007	95	(10)	85
2008	87	(10)	77
2009	79	(10)	69
2010	72	(8)	64
Thereafter	727	(8)	719
Total	$1,131	$ (57)	$ 1,074

In November 2004, the Company entered into a 25 year agreement with long time client British Land plc relating to its new UK headquarters in London. Construction commenced in early 2005 and the Company's occupancy is targeted for late 2007. The Company's contractual obligations in relation to this commitment total $800 million and are included in the table above, but remain contingent upon the successful completion of construction.

Rent expense amounted to $77 million, $87 million and $70 million for the years ended December 31, 2005, 2004 and 2003, respectively. The Company's rental income from subleases was $9 million, $9 million and $8 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Guarantees—Guarantees issued by certain of Willis Group Holdings' subsidiaries with respect to the Senior Credit Facility are discussed elsewhere in these consolidated financial statements.

14. COMMITMENTS AND CONTINGENCIES (Continued)

Certain of Willis Group Holdings' subsidiaries have given the landlords of some leasehold properties occupied by the Company in the United Kingdom and the United States guarantees in respect of the performance of the lease obligations of the subsidiary holding the lease. The operating lease obligations subject to such guarantees amounted to $935 million and $1,050 million at December 31, 2005 and 2004, respectively.

In addition, the Company has given guarantees to bankers and other third parties relating principally to letters of credit amounting to $2 million and $9 million at December 31, 2005 and 2004, respectively.

Put and Call Options Relating to Subsidiaries and Associates—For certain subsidiaries and associates, the Company has the right to purchase shares (a call option) from co-shareholders at various dates in the future. In addition, the co-shareholders of certain subsidiaries and associates have the right to sell (a put option) their shares to the Company at various dates in the future. Generally, the exercise price of such puts and calls is formula-based (using revenues and earnings) and is designed to reflect fair value. Based on current projections of profitability and exchange rates, the potential amount payable in 2006 from these options is not expected to exceed $336 million. Of this balance, $326 million relates to Gras Savoye, as disclosed in Note 5.

Claims, Lawsuits and Other Proceedings—The Company is subject to various actual and potential claims, lawsuits and other proceedings relating principally to alleged errors and omissions in connection with the placement of insurance and reinsurance in the ordinary course of business. Similar to other corporations, the Company is also subject to a variety of other claims, including those relating to the Company's employment practices. Some of those claims, lawsuits and other proceedings seek damages in amounts which could, if assessed, be significant.

Errors and omissions claims, lawsuits and other proceedings arising in the ordinary course of business are covered by professional indemnity or other appropriate insurance. The terms of this insurance vary by policy year and self-insured risks have increased significantly over recent years. In respect of self-insured risks, the Company has established provisions which are believed to be adequate in the light of current information and legal advice, and the Company adjust such provisions from time to time according to developments. On the basis of current information, the Company does not expect that the actual claims, lawsuits and other proceedings to which the Company is subject, or potential claims, lawsuits and other proceedings relating to matters of which the Company is aware will ultimately have a material adverse effect on the Company's financial condition, results of operations or liquidity. Nonetheless, given the large or indeterminate amounts sought in certain of these actions, and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on the Company's results of operations or cash flows in particular quarterly or annual periods.

Proceedings Relating to Contingent Compensation Arrangements—In April 2005, the Company entered into an Assurance of Discontinuance ("NY AOD") with the New York Attorney General and the New York Superintendent of Insurance resolving the investigation commenced by the New York Attorney General in April 2004 which concerned, among other things, arrangements pursuant to which insurers compensated insurance brokers for distribution and other services provided to insurers and, as the investigation of brokers and insurers continued, broadened into an investigation of other possible violations of law, including violations of fiduciary duty, securities laws, and antitrust laws. Pursuant to the NY AOD, the Company has paid $50 million into a fund that will be distributed to eligible customers by March 2006. The Company has also agreed to continue certain business reforms the Company had already

14. COMMITMENTS AND CONTINGENCIES (Continued)

implemented and to implement certain other business reforms. These reforms include an agreement not to accept contingent compensation; and an undertaking to disclose to customers any compensation the Company will receive in connection with providing policy placement services to the customer. The Company also resolved a similar investigation commenced by the Minnesota Attorney General by entering into an Assurance of Discontinuance pursuant to which the Company agreed, among other things, to pay an additional $1 million to Minnesota customers and to continue or implement the business reforms described in the NY AOD. On October 1, 2005, the Company mailed letters to customers who were eligible to receive distributions out of the fund. Customers had until February 1, 2006, to respond. The Company continues to respond to requests for documents and information by the regulators and/or attorneys general of more than twenty other states, the District of Columbia, one US city, Canada, and Australia that are conducting similar investigations. The Company is co-operating fully with these investigations. The Company cannot predict at this time how or when those investigations will be resolved.

The compensation arrangements, which were initially the subject of the investigation by the New York Attorney General, were a longstanding and common practice within the insurance industry and had been disclosed by the Company for many years. On October 21, 2004, the Company announced that the Company was voluntarily abolishing these compensation arrangements.

In August 2004, a proceeding was commenced in the Superior Court of the State of California, County of San Diego against the Company by United Policyholders, an organization purporting to act in a representative capacity on behalf of the California general public. The complaint alleges that the compensation arrangements between the Company and insurance carriers constitute deceptive trade practices, and it seeks both injunctive and equitable relief, including restitution. This action was dismissed in December 2004, but United Policyholders has filed an appeal. The dismissal of the complaint was based on the retroactive application of newly passed legislation. The Supreme Court of California is presently considering whether this newly passed legislation should have retroactive application. The court's decision will determine whether this case will be able to proceed. Since August 2004, various plaintiffs have filed purported class actions, in New York, Illinois, California, New Jersey, Massachusetts, and Florida, under a variety of legal theories, including state tort, contract, fiduciary duty and statutory theories, and federal antitrust and RICO theories, and the Company expects that further suits may be filed. Other than a federal suit in Illinois that was voluntarily dismissed by the plaintiff in May 2005, all of the federal actions have been consolidated into two actions in federal court in New Jersey. One of the consolidated actions addresses employee benefits, while the other consolidated action addresses all other lines of insurance. In addition to the two federal actions, the Company has also been named as a defendant in purported class actions in state courts in Florida and Massachusetts. Both the consolidated federal actions and the state actions name various insurance carriers and insurance brokerage firms, including the

Company, as defendants. The complaints seek monetary damages and equitable relief and make allegations regarding the practices and conduct that has been the subject of the investigation of state attorneys general and insurance commissioners, including allegations that the brokers have breached their duties to their clients by entering into contingent compensation agreements with either no disclosure or limited disclosure to clients and entered into other improper activities. The complaints also allege the existence of a conspiracy among the insurance carriers and brokers and the federal court complaints allege violations of the federal RICO statute. The Company disputes these allegations and intends to defend itself vigorously against these actions. The outcomes of these lawsuits, however, including any losses or other payments that may occur as a result, cannot be predicted at this time.

15. SEGMENT INFORMATION

SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information* ("SFAS 131") establishes standards for reporting information about operating segments and related disclosures, products and services, geographic areas and major customers. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance.

The Company conducts its worldwide insurance brokerage activities through three operating segments: Global, North America and International. Each operating segment exhibits similar economic characteristics, provides similar products and services and distributes same through common distribution channels to a common type or class of customer. In addition, the regulatory environment in each region is similar. Consequently, for financial reporting purposes the Company has aggregated these three operating segments into one reportable segment.

None of the Company's customers represented more than 10 percent of the Company's consolidated commissions and fees for the years ended December 31, 2005, 2004 and 2003.

Information regarding the Company's geographic locations is as follows:

	Years ended December 31,		
	2005	2004	2003
		(millions)	
Commissions and fees[1]			
UK	$ 786	$ 814	$ 791
US	843	882	834
Other[3]	565	509	379
Total	$2,194	$2,205	$2,004
Long-lived assets[2]			
UK	$ 144	$ 172	$ 180
US	42	46	49
Other[3]	26	31	20
Total	$ 212	$ 249	$ 249

(1) Commissions and fees are attributed to countries based upon the location of the subsidiary generating the revenue.

(2) Long-lived assets include identifiable fixed assets.

(3) Other than in the United Kingdom and the United States, the Company does not conduct business in any country in which its commissions and fees and/or long-lived assets exceed 10 percent of consolidated commissions and fees and/or long-lived assets, respectively.

16. RELATED PARTY TRANSACTIONS

The Company has an Employee Stock Ownership Plan (the "ESOP") which holds Willis Group Holdings' shares. The trustee of the ESOP transferred 21,668 and 608,521 shares during the years ended December 31, 2005 and 2004, respectively. At December 31, 2005 and 2004, the ESOP shares outstanding were 65,938 and 87,606 respectively. No dividends have been distributed on the shares held by the ESOP.

16. RELATED PARTY TRANSACTIONS (Continued)

Kohlberg Kravis Roberts & Co. L.P. ("KKR"), with which Messrs. P. Golkin and S.C. Nuttall, both Directors of the Company, are affiliated, and Fisher Capital Corp. L.L.C. ("Fisher"), with which Mr. J.R. Fisher, also a Director of the Company, is affiliated, rendered in 2003 management, consulting and certain other services to the Company for annual fees of $1,000,000 and $350,000, respectively, payable quarterly in arrears. These arrangements were terminated as of December 31, 2003. Messrs. Golkin and Nuttall disclaim any beneficial interest in these fees.

In addition, the Company and Fisher entered into a share option agreement dated January 27, 1999, whereby the Company granted to Fisher 422,501 options to purchase an equivalent number of shares. The options vested at the grant date and were exercisable any time up to January 27, 2014. During 2004, options over 174,462 shares were exercised; in November 2005, the remaining 56,697 options were exercised.

Concurrently with the secondary public offering by certain of its shareholders of 6,100,000 Shares in November 2005 (2004: 20,000,000), the Company purchased 1,488,810 (2004: 3,974,154) of its Shares from Profit Sharing (Overseas), Limited Partnership, an affiliate of KKR, and 11,190 (2004: 25,846) of its Shares from Fisher Capital Corp. L.L.C. at a price of $36.00 per Share (2004: $37.026), the net public offering price in the secondary offering, in a private non-underwritten transaction under our $500 million share repurchase program.

17. COMMON STOCK

On April 27, 2005, the Board of Directors authorized an open-ended plan to purchase, from time to time in the open market or through negotiated trades with persons who are not affiliates of the Company, shares of the Company's common stock at an aggregate purchase price of up to $300 million. On July 27, 2005, the Board of Directors approved an increase in the authorization to $500 million. During 2005, the Company repurchased 10.3 million shares for a total consideration of $360 million. Repurchased shares were subsequently canceled.

18. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES

On July 1, 2005, Willis North America Inc. ("Willis North America") issued debt securities totaling $600 million under its April 2003 registration statement. The debt securities are jointly and severally, irrevocably and fully and unconditionally guaranteed by Willis Group Holdings, Willis Group Limited, Trinity Acquisition Limited, TA 1 Limited, TA II Limited, TA III Limited and TA IV Limited.

Presented below is condensed consolidating financial information for: i) Willis Group Holdings, which is a guarantor, on a parent company only basis; ii) the Other Guarantors which are all 100 percent owned subsidiaries of the parent; iii) the Issuer, Willis North America; iv) Other, which are the non-guarantor subsidiaries, on a combined basis; v) Eliminations; and vi) Consolidated Company and subsidiaries. The equity method has been used for all investments in subsidiaries.

The entities included in the Other Guarantors column are Willis Group Limited, Trinity Acquisition Limited, TA I Limited, TA II Limited, TA III Limited and TA IV Limited.

18. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)

Condensed Consolidating Statement of Operations

	Year ended December 31, 2005					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
				(millions)		
REVENUES						
Commissions and fees	$ —	$ —	$ —	$ 2,194	$ —	$ 2,194
Investment income	—	—	12	104	(43)	73
Total revenues	—	—	12	2,298	(43)	2,267
EXPENSES						
Salaries and benefits (including share-based compensation of $18 in Other)	—	—	—	(1,454)	70	(1,384)
Other operating expenses	(2)	(33)	15	(359)	(26)	(405)
Regulatory settlements	—	—	(51)	—	—	(51)
Depreciation expense and amortization of intangible assets	—	—	(4)	(39)	(11)	(54)
Net gain on disposal of operations	—	—	—	118	(40)	78
Total expenses	(2)	(33)	(40)	(1,734)	(7)	(1,816)
OPERATING (LOSS) INCOME	(2)	(33)	(28)	564	(50)	451
Investment income from Group undertakings	370	2,324	140	680	(3,514)	—
Interest expense, net	—	(189)	(56)	(98)	313	(30)
INCOME BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	368	2,102	56	1,146	(3,251)	421
INCOME TAXES	—	4	32	(121)	(58)	(143)
INCOME BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	368	2,106	88	1,025	(3,309)	278
EQUITY IN NET INCOME OF ASSOCIATES, NET OF TAX	—	—	—	14	—	14
MINORITY INTEREST, NET OF TAX	—	—	—	(1)	(10)	(11)
EQUITY ACCOUNT FOR SUBSIDIARIES	(87)	(1,904)	(91)	—	2,082	—
NET INCOME (LOSS)	$ 281	$ 202	$ (3)	$ 1,038	$ (1,237)	$ 281

18. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)

Condensed Consolidating Statement of Operations

	Year ended December 31, 2004					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
				(millions)		
REVENUES						
Commissions and fees	$ —	$ —	$ —	$ 2,205	$ —	$ 2,205
Investment income	—	—	9	84	(23)	70
Total revenues	—	—	9	2,289	(23)	2,275
EXPENSES						
Salaries and benefits (including share-based compensation of $20 in Other)	—	—	—	(1,438)	220	(1,218)
Other operating expenses	(5)	13	—	(427)	28	(391)
Depreciation expense and amortization of intangible assets	—	—	(4)	(37)	(6)	(47)
Net (loss) gain on disposal of operations	—	(1)	(573)	(565)	1,150	11
Total expenses	(5)	12	(577)	(2,467)	1,392	(1,645)
OPERATING (LOSS) INCOME	(5)	12	(568)	(178)	1,369	630
Investment income from Group undertakings	354	1,997	123	264	(2,738)	—
Premium on redemption of subordinated notes	—	—	(17)	—	—	(17)
Interest expense, net	—	(179)	(35)	(81)	273	(22)
INCOME (LOSS) BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	349	1,830	(497)	5	(1,096)	591
INCOME TAXES	—	(18)	11	(163)	(27)	(197)
INCOME (LOSS) BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	349	1,812	(486)	(158)	(1,123)	394
EQUITY IN NET INCOME OF ASSOCIATES, NET OF TAX	—	—	—	15	—	15
MINORITY INTEREST, NET OF TAX	—	—	—	(1)	(6)	(7)
EQUITY ACCOUNT FOR SUBSIDIARIES	53	(1,550)	562	—	935	—
NET INCOME (LOSS)	$ 402	$ 262	$ 76	$ (144)	$ (194)	$ 402

18. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)

Condensed Consolidating Statement of Operations

	Year ended December 31, 2003					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
				(millions)		
REVENUES						
Commissions and fees	$ —	$ —	$ —	$ 2,004	$ —	$ 2,004
Investment income	—	—	8	81	(17)	72
Total revenues	—	—	8	2,085	(17)	2,076
EXPENSES						
Salaries and benefits (including share-based compensation of $10 in Other)	—	—	—	(1,086)	—	(1,086)
Other operating expenses	(2)	21	(11)	(418)	41	(369)
Depreciation expense and amortization of intangible assets	—	—	(5)	(31)	(3)	(39)
Net gain on disposal of operations	—	—	—	9	2	11
Total expenses	(2)	21	(16)	(1,526)	40	(1,483)
OPERATING (LOSS) INCOME	(2)	21	(8)	559	23	593
Investment income from Group	68	529	137	106	(840)	—

undertakings						
Interest expense, net	—	(215)	(76)	(66)	304	(53)
INCOME BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	66	335	53	599	(513)	540
INCOME TAXES	—	(2)	12	(188)	(3)	(181)
INCOME BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	66	333	65	411	(516)	359
EQUITY IN NET INCOME OF ASSOCIATES, NET OF TAX	—	—	—	15	(1)	14
MINORITY INTEREST, NET OF TAX	—	—	—	—	(8)	(8)
EQUITY ACCOUNT FOR SUBSIDIARIES	299	34	44	—	(377)	—
NET INCOME	$ 365	$ 367	$ 109	$ 426	$ (902)	$ 365

18. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)

Condensed Consolidating Balance Sheet

	As at December 31, 2005					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
ASSETS						
Cash and cash equivalents	$ 1	$ 42	$ 19	$ 131	$ —	$ 193
Fiduciary funds—restricted	—	—	55	1,508	—	1,563
Accounts receivable	234	2,988	1,539	9,030	(5,765)	8,026
Goodwill and other intangible assets	—	—	2	211	1,371	1,584
Deferred tax assets	—	—	—	232	(58)	174
Other assets	1	68	18	611	(44)	654
Equity accounted subsidiaries	1,118	1,886	714	2,134	(5,852)	—
TOTAL ASSETS	$ 1,354	$ 4,984	$ 2,347	$ 13,857	$ (10,348)	$ 12,194
LIABILITIES AND STOCKHOLDERS' EQUITY						
Accounts payable	$ 62	$ 3,772	$ 1,763	$ 9,313	$ (5,762)	$ 9,148
Long-term debt	—	—	600	—	—	600
Other liabilities	36	92	62	1,024	(49)	1,165
Total liabilities	98	3,864	2,425	10,337	(5,811)	10,913
MINORITY INTEREST	—	—	—	2	23	25
STOCKHOLDERS' EQUITY	1,256	1,120	(78)	3,518	(4,560)	1,256
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,354	$ 4,984	$ 2,347	$ 13,857	$ (10,348)	$ 12,194

18. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)

Condensed Consolidating Balance Sheet

	As at December 31, 2004					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
ASSETS						
Cash and cash equivalents	$ 79	$ 58	$ 14	$ 200	$ —	$ 351
Fiduciary funds—restricted	—	—	90	1,415	—	1,505

Accounts receivable	156	2,417	847	8,798	(4,902)	7,316
Goodwill and other intangible assets	—	—	—	221	1,330	1,551
Deferred tax assets	—	—	—	238	(47)	191
Other assets	—	56	14	677	(20)	727
Equity accounted subsidiaries	1,288	2,004	812	1,939	(6,043)	—
TOTAL ASSETS	$ 1,523	$ 4,535	$ 1,777	$ 13,488	$ (9,682)	$ 11,641
LIABILITIES AND STOCKHOLDERS' EQUITY						
Accounts payable	$ 79	$ 3,171	$ 1,354	$ 8,877	$ (4,919)	$ 8,562
Long-term debt	—	—	450	—	—	450
Other liabilities	32	108	44	1,076	(63)	1,197
Total liabilities	111	3,279	1,848	9,953	(4,982)	10,209
MINORITY INTEREST	—	—	—	2	18	20
STOCKHOLDERS' EQUITY	1,412	1,256	(71)	3,533	(4,718)	1,412
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,523	$ 4,535	$ 1,777	$ 13,488	$ (9,682)	$ 11,641

18. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)

Condensed Consolidating Statement of Cash Flows

	Year ended December 31, 2005					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
				(millions)		
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	$ (2)	$ (4)	$ 14	$ 87	$ —	$ 95
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions to fixed assets	—	—	(5)	(27)	—	(32)
Acquisitions of subsidiaries, net of cash acquired	(7)	—	—	(28)	—	(35)
Net cash proceeds from sale of operations, net of cash disposed	—	—	—	90	—	90
Cashflow on intra-group transfer of subsidiary	57	—	—	(57)	—	—
Purchase of short-term investments	—	—	—	(42)	—	(42)
Proceeds on sale of short-term investments	—	—	—	47	—	47
Other	—	—	1	3	—	4
Net cash provided by (used in) investing activities	50	—	(4)	(14)	—	32
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayments of debt	—	—	(450)	—	—	(450)
Senior notes issued, net of debt issuance costs	—	—	593	—	—	593
Repurchase of shares	(360)	—	—	—	—	(360)
Amounts owed by and to Group undertakings	(99)	1	(286)	384	—	—
Excess tax benefits from share-based payment arrangements	—	—	—	45	—	45
Dividends paid	235	(12)	138	(496)	—	(135)
Other	98	(1)	—	(60)	—	37
Net cash used in financing activities	(126)	(12)	(5)	(127)	—	(270)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(78)	(16)	5	(54)	—	(143)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(15)	—	(15)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	79	58	14	200	—	351
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1	$ 42	$ 19	$ 131	$ —	$ 193

18. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)

Condensed Consolidating Statement of Cash Flows

	Year ended December 31, 2004					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	$ (4)	$ 50	$ 2	$ 312	$ —	$ 360
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions to fixed assets	—	—	(3)	(46)	—	(49)
Acquisitions of subsidiaries, net of cash acquired	(82)	—	(573)	(638)	1,146	(147)
Net cash proceeds from sale of operations, net of cash disposed	—	—	—	10	—	10
Purchase of short-term investments	—	—	—	(80)	—	(80)
Proceeds on sale of short-term investments	—	—	—	69	—	69
Other	—	(3)	—	17	—	14
Net cash used in investing activities	(82)	(3)	(576)	(668)	1,146	(183)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayments of debt	—	—	(370)	—	—	(370)
Draw down of term loans	—	—	450	—	—	450
Repurchase of shares	(339)	—	—	—	—	(339)
Amounts owed by and to Group undertakings	162	223	272	489	(1,146)	—
Excess tax benefits from share-based payment arrangements	—	—	—	130	—	130
Dividends paid	240	(225)	105	(235)	—	(115)
Other	54	4	(17)	—	—	41
Net cash provided by (used in) financing activities	117	2	440	384	(1,146)	(203)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	31	49	(134)	28	—	(26)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	13	—	13
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	48	9	148	159	—	364
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 79	$ 58	$ 14	$ 200	$ —	$ 351

18. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)

Condensed Consolidating Statement of Cash Flows

	Year ended December 31, 2003					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	$ (2)	$ 35	$ (13)	$ 379	$ —	$ 399
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions to fixed assets	—	—	(3)	(54)	—	(57)
Acquisitions of subsidiaries, net of cash acquired	4	—	—	(95)	—	(91)
Net cash proceeds from sale of operations, net of cash disposed	—	—	—	15	—	15
Purchase of short-term investments	—	—	—	(48)	—	(48)
Proceeds on sale of short-term investments	—	—	—	42	—	42
Other	—	—	11	(7)	—	4
Net cash provided by (used in) investing activities	4	—	8	(147)	—	(135)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayments of debt	—	(1)	(197)	—	—	(198)
Amounts owed by and to Group undertakings	3	13	169	(185)	—	—
Excess tax benefits from share-based payment arrangements	—	—	—	94	—	94
Dividends paid	5	(40)	84	(112)	—	(63)
Other	37	2	—	—	—	39

Net cash provided by (used in) financing activities	45	(26)	56	(203)	—	(128)
INCREASE IN CASH AND CASH EQUIVALENTS	47	9	51	29	—	136
Effect of exchange rate changes on cash and cash equivalents	—	—	—	17	—	17
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1	—	97	113	—	211
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 48	$ 9	$ 148	$ 159	$ —	$ 364

19. SUBSEQUENT EVENTS

The Company intends to file a new shelf registration on Form S-3 under which Willis Group Holdings may offer debt securities, preferred stock, common stock and other securities. In addition, Trinity Acquisition Limited may offer debt securities ("the Subsidiary Debt Securities"). The Subsidiary Debt Securities, if issued, will be guaranteed by certain of the Company's subsidiaries.

Presented below is condensed consolidating financial information for: i) Willis Group Holdings, which will be a guarantor, on a parent company only basis; ii) the Other Guarantors, which are all wholly owned subsidiaries of the parent; iii) the Issuer, Trinity Acquisition Limited; iv) Other, which are the non-guarantor subsidiaries, on a combined basis; v) Eliminations; and vi) Consolidated Company and subsidiaries. The equity method has been used for all investments in subsidiaries.

The entities included in the Other Guarantors column are TA I Limited, TA II Limited and TA III Limited.

Condensed Consolidating Statement of Operations

	Year ended December 31, 2005					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
				(millions)		
REVENUES						
Commissions and fees	$ —	$ —	$ —	$ 2,194	$ —	$ 2,194
Investment income	—	—	—	116	(43)	73
Total revenues	—	—	—	2,310	(43)	2,267
EXPENSES						
Salaries and benefits (including share- based compensation of $18 in Other)	—	—	—	(1,454)	70	(1,384)
Other operating expenses	(2)	—	—	(377)	(26)	(405)
Regulatory settlements	—	—	—	(51)	—	(51)
Depreciation expense and amortization of intangible assets	—	—	—	(43)	(11)	(54)
Net gain on disposal of operations	—	—	—	118	(40)	78
Total expenses	(2)	—	—	(1,807)	(7)	(1,816)
OPERATING (LOSS) INCOME	(2)	—	—	503	(50)	451
Investment income from Group undertakings	370	1,110	409	1,625	(3,514)	—
Interest expense, net	—	—	(28)	(315)	313	(30)
INCOME BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	368	1,110	381	1,813	(3,251)	421
INCOME TAXES	—	—	(30)	(55)	(58)	(143)
INCOME BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	368	1,110	351	1,758	(3,309)	278
EQUITY IN NET INCOME OF ASSOCIATES, NET OF TAX	—	—	—	14	—	14
MINORITY INTEREST, NET OF TAX	—	—	—	(1)	(10)	(11)
EQUITY ACCOUNT FOR SUBSIDIARIES	(87)	(908)	(127)	—	1,122	—
NET INCOME	$ 281	$ 202	$ 224	$ 1,771	$ (2,197)	$ 281

19. SUBSEQUENT EVENTS (Continued)

Condensed Consolidating Statement of Operations

	Year ended December 31, 2004					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other (millions)	Eliminations	Consolidated
REVENUES						
Commissions and fees	$ —	$ —	$ —	$ 2,205	$ —	$ 2,205
Investment income	—	—	—	93	(23)	70
Total revenues	—	—	—	2,298	(23)	2,275
EXPENSES						
Salaries and benefits (including share- based compensation of $20 in Other)	—	—	—	(1,438)	220	(1,218)
Other operating expenses	(5)	—	2	(416)	28	(391)
Depreciation expense and amortization of intangible assets	—	—	—	(41)	(6)	(47)
Net (loss) gain on disposal of operations	—	—	—	(1,139)	1,150	11
Total expenses	(5)	—	2	(3,034)	1,392	(1,645)
OPERATING (LOSS) INCOME	(5)	—	2	(736)	1,369	630
Investment income from Group undertakings	354	1,064	305	1,015	(2,738)	—
Premium on redemption of subordinated notes	—	—	—	(17)	—	(17)
Interest expense, net	—	—	(19)	(276)	273	(22)
INCOME (LOSS) BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	349	1,064	288	(14)	(1,096)	591
INCOME TAXES	—	—	(48)	(122)	(27)	(197)
INCOME (LOSS) BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	349	1,064	240	(136)	(1,123)	394
EQUITY IN NET INCOME OF ASSOCIATES, NET OF TAX	—	—	—	15	—	15
MINORITY INTEREST, NET OF TAX	—	—	—	(1)	(6)	(7)
EQUITY ACCOUNT FOR SUBSIDIARIES	53	(802)	32	—	717	—
NET INCOME (LOSS)	$ 402	$ 262	$ 272	$ (122)	$ (412)	$ 402

19. SUBSEQUENT EVENTS (Continued)

Condensed Consolidating Statement of Operations

	Year ended December 31, 2003					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other (millions)	Eliminations	Consolidated
REVENUES						
Commissions and fees	$ —	$ —	$ —	$ 2,004	$ —	$ 2,004
Investment income	—	—	—	89	(17)	72
Total revenues	—	—	—	2,093	(17)	2,076
EXPENSES						
Salaries and benefits (including share- based compensation of $10 in Other)	—	—	—	(1,086)	—	(1,086)
Other operating expenses	(2)	—	5	(413)	41	(369)
Depreciation expense and amortization of intangible assets	—	—	—	(36)	(3)	(39)
Net gain on disposal of operations	—	—	—	9	2	11
Total expenses	(2)	—	5	(1,526)	40	(1,483)
OPERATING (LOSS) INCOME	(2)	—	5	567	23	593
Investment income from Group undertakings	68	203	161	408	(840)	—
Interest expense, net	—	—	(56)	(301)	304	(53)
INCOME BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	66	203	110	674	(513)	540
INCOME TAXES	—	—	(37)	(141)	(3)	(181)
INCOME BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	66	203	73	533	(516)	359
EQUITY IN NET INCOME OF ASSOCIATES, NET OF TAX	—	—	—	15	(1)	14
MINORITY INTEREST, NET OF TAX	—	—	—	—	(8)	(8)
EQUITY ACCOUNT FOR SUBSIDIARIES	299	164	294	—	(757)	—

NET INCOME	$365	$367	$367	$ 548	$ (1,282)	$ 365

19. SUBSEQUENT EVENTS (Continued)

Condensed Consolidating Balance Sheet

	As at December 31, 2005					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other (millions)	Eliminations	Consolidated
ASSETS						
Cash and cash equivalents	$ 1	$ —	$ 3	$ 189	$ —	$ 193
Fiduciary funds—restricted	—	—	—	1,563	—	1,563
Accounts receivable	234	635	1,626	11,296	(5,765)	8,026
Goodwill and other intangible assets	—	—	—	213	1,371	1,584
Deferred tax assets	—	—	—	232	(58)	174
Other assets	1	—	—	697	(44)	654
Equity accounted subsidiaries	1,118	1,116	445	4,773	(7,452)	—
TOTAL ASSETS	$ 1,354	$ 1,751	$ 2,074	$ 18,963	$ (11,948)	$ 12,194
LIABILITIES AND STOCKHOLDERS' EQUITY						
Accounts payable	$ 62	$ 631	$ 848	$ 13,369	$ (5,762)	$ 9,148
Long-term debt	—	—	—	600	—	600
Other liabilities	36	—	79	1,099	(49)	1,165
Total liabilities	98	631	927	15,068	(5,811)	10,913
MINORITY INTEREST	—	—	—	2	23	25
STOCKHOLDERS' EQUITY	1,256	1,120	1,147	3,893	(6,160)	1,256
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,354	$ 1,751	$ 2,074	$ 18,963	$ (11,948)	$ 12,194

19. SUBSEQUENT EVENTS (Continued)

Condensed Consolidating Balance Sheet

	As at December 31, 2004					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other (millions)	Eliminations	Consolidated
ASSETS						
Cash and cash equivalents	$ 79	$ —	$ —	$ 272	$ —	$ 351
Fiduciary funds—restricted	—	—	—	1,505	—	1,505
Accounts receivable	156	238	1,393	10,431	(4,902)	7,316
Goodwill and other intangible assets	—	—	—	221	1,330	1,551
Deferred tax assets	—	—	—	238	(47)	191
Other assets	—	—	—	747	(20)	727
Equity accounted subsidiaries	1,288	1,254	557	4,576	(7,675)	—
TOTAL ASSETS	$1,523	$1,492	$ 1,950	$ 17,990	$ (11,314)	$ 11,641
LIABILITIES AND STOCKHOLDERS' EQUITY						
Accounts payable	$ 79	$ 236	$ 584	$ 12,582	$ (4,919)	$ 8,562
Long-term debt	—	—	—	450	—	450
Other liabilities	32	—	87	1,141	(63)	1,197
Total liabilities	111	236	671	14,173	(4,982)	10,209
MINORITY INTEREST	—	—	—	2	18	20
STOCKHOLDERS' EQUITY	1,412	1,256	1,279	3,815	(6,350)	1,412
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,523	$1,492	$ 1,950	$ 17,990	$ (11,314)	$ 11,641

WILLIS GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. SUBSEQUENT EVENTS (Continued)

Condensed Consolidating Statement of Cash Flows

	Year ended December 31, 2005					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other (millions)	Eliminations	Consolidated
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	$ (2)	$ —	$ 134	$ (37)	$ —	$ 95
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions to fixed assets	—	—	—	(32)	—	(32)
Acquisitions of subsidiaries, net of cash acquired	(7)	—	—	(28)	—	(35)
Net cash proceeds from sale of operations, net of cash disposed	—	—	—	90	—	90
Cashflow on intra-group transfer of subsidiary	57	—	—	(57)	—	—
Purchase of short-term investments	—	—	—	(42)	—	(42)
Proceeds on sale of short-term investments	—	—	—	47	—	47
Other	—	—	—	4	—	4
Net cash provided by (used in) investing activities	50	—	—	(18)	—	32
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayments of debt	—	—	—	(450)	—	(450)
Senior notes issued, net of debt issuance costs	—	—	—	593	—	593
Repurchase of shares	(360)	—	—	—	—	(360)
Amounts owed by and to Group undertakings	(99)	—	(11)	110	—	—
Excess tax benefits from share-based payment arrangements	—	—	—	45	—	45
Dividends paid	235	—	(120)	(250)	—	(135)
Other	98	—	—	(61)	—	37
Net cash used in financing activities	(126)	—	(131)	(13)	—	(270)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(78)	—	3	(68)	—	(143)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(15)	—	(15)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	79	—	—	272	—	351
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1	$ —	$ 3	$ 189	$ —	$ 193

WILLIS GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. SUBSEQUENT EVENTS (Continued)

Condensed Consolidating Statement of Cash Flows

	Year ended December 31, 2004					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other (millions)	Eliminations	Consolidated
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	$ (4)	$ —	$ 108	$ 256	$ —	$ 360
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions to fixed assets	—	—	—	(49)	—	(49)
Acquisitions of subsidiaries, net of cash acquired	(82)	—	—	(1,211)	1,146	(147)
Net cash proceeds from sale of operations, net of cash disposed	—	—	—	10	—	10

Purchase of short-term investments	—	—	—	(80)	—	(80)
Proceeds on sale of short-term investments	—	—	—	69	—	69
Other	—	—	—	14	—	14
Net cash used in investing activities	(82)	—	—	(1,247)	1,146	(183)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayments of debt	—	—	—	(370)	—	(370)
Draw down of term loans	—	—	—	450	—	450
Repurchase of shares	(339)	—	—	—	—	(339)
Amounts owed by and to Group undertakings	162	—	101	883	(1,146)	—
Excess tax benefits from share-based payments	—	—	—	130	—	130
Dividends paid	240	—	(209)	(146)	—	(115)
Other	54	—	—	(13)	—	41
Net cash provided by (used in) financing activities	117	—	(108)	934	(1,146)	(203)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	31	—	—	(57)	—	(26)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	13	—	13
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	48	—	—	316	—	364
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 79	$—	$ —	$ 272	$ —	$ 351

19. SUBSEQUENT EVENTS (Continued)

Condensed Consolidating Statement of Cash Flows

	Year ended December 31, 2003					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
				(millions)		
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	$ (2)	$ (1)	$ 111	$ 291	$—	$ 399
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions to fixed assets	—	—	—	(57)	—	(57)
Acquisitions of subsidiaries, net of cash acquired	4	—	—	(95)	—	(91)
Net cash proceeds from sale of operations, net of cash disposed	—	—	—	11	—	11
Purchase of short-term investments	—	—	—	(48)	—	(48)
Proceeds on sale of short-term investments	—	—	—	42	—	42
Other	—	—	—	8	—	8
Net cash provided by (used in) investing activities	4	—	—	(139)	—	(135)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayments of debt	—	—	(1)	(197)	—	(198)
Amounts owed by and to Group undertakings	3	1	(42)	38	—	—
Excess tax benefits from share-based payments	—	—	—	94	—	94
Dividends paid	5	—	(68)	—	—	(63)
Other	37	—	—	2	—	39
Net cash provided by (used in) financing activities	45	1	(111)	(63)	—	(128)
INCREASE IN CASH AND CASH EQUIVALENTS	47	—	—	89	—	136
Effect of exchange rate changes on cash and cash equivalents	—	—	—	17	—	17
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1	—	—	210	—	211
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 48	$—	$ —	$ 316	$—	$ 364

20. ADJUSTED QUARTERLY FINANCIAL DATA

Quarterly financial data for 2005 and 2004 were as follows:

	Three months ended March 31,	June 30,	September 30,	December 31,
	As adjusted (Note 2) (millions, except per share data) (unaudited)			
2005				
Total revenues	$ 669	$ 549	$ 487	$ 562
Total expenses	(582)	(350)	(421)	(463)
Net income	67	114	45	55
Net income per share				
—Basic	$ 0.41	$ 0.70	$ 0.28	$ 0.35
—Diluted	$ 0.41	$ 0.70	$ 0.28	$ 0.35
2004				
Total revenues	$ 665	$ 532	$ 490	$ 588
Total expenses	(439)	(387)	(390)	(429)
Net income	143	90	69	100
Net income per share				
—Basic	$ 0.91	$ 0.57	$ 0.44	$ 0.63
—Diluted	$ 0.85	$ 0.54	$ 0.42	$ 0.61

Item 1—Financial Statements

WILLIS GROUP HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended March 31, 2006	Three months ended March 31, 2005 As adjusted (Note 2)
	(millions, except per share data) (unaudited)	
REVENUES		
Commissions and fees	$ 652	$ 651
Investment income	19	18
Total revenues	671	669
EXPENSES		
Salaries and benefits (including share-based compensation of $3 and $4 (Note 5))	(348)	(393)
Other operating expenses	(105)	(125)
Regulatory settlements (Note 8)	—	(51)
Depreciation expense and amortization of intangible assets	(14)	(13)
Total expenses	(467)	(582)
OPERATING INCOME	204	87
Interest expense, net	(9)	(6)
INCOME BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	195	81
INCOME TAXES	(62)	(24)
INCOME BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	133	57
EQUITY IN NET INCOME OF ASSOCIATES, NET OF TAX	14	14
MINORITY INTEREST, NET OF TAX	(7)	(4)
NET INCOME	$ 140	$ 67
EARNINGS PER SHARE (Note 6)		
—Basic	$ 0.89	$ 0.41
—Diluted	$ 0.88	$ 0.41
AVERAGE NUMBER OF SHARES OUTSTANDING (Note 6)		
—Basic	157	163
—Diluted	159	165
CASH DIVIDENDS DECLARED PER COMMON SHARE	$ 0.235	$ 0.215

The accompanying notes are an integral part of these condensed consolidated financial statements.

WILLIS GROUP HOLDINGS LIMITED

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2006	December 31, 2005 As adjusted (Note 2)
	(millions, except share data) (unaudited)	
ASSETS		
Cash and cash equivalents	$ 158	$ 193
Fiduciary funds—restricted	1,718	1,563
Short-term investments	56	65
Accounts receivable, net of allowance for doubtful accounts of $32 in 2006 and $31 in 2005	9,653	8,026
Fixed assets	215	212
Goodwill and other intangible assets, net of accumulated amortization of $141 in 2006 and $138 in 2005	1,607	1,584
Investments in associates	146	129
Deferred tax assets	174	174
Other assets	270	248
TOTAL ASSETS	$ 13,997	$ 12,194
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 10,890	$ 9,148
Deferred revenue and accrued expenses	235	367
Income taxes payable	195	153
Long-term debt (Note 7)	600	600

Other liabilities	675	645
Total liabilities	12,595	10,913
COMMITMENTS AND CONTINGENCIES (Note 8)		
MINORITY INTEREST	31	25
STOCKHOLDERS' EQUITY		
Common shares, $0.000115 par value; Authorized: 4,000,000,000; Issued and outstanding, 157,206,564 shares in 2006 and 156,958,269 shares in 2005	—	—
Additional paid-in capital	567	557
Retained earnings	1,050	948
Accumulated other comprehensive loss, net of tax (Note 10)	(238)	(239)
Treasury stock, at cost, 285,459 shares in 2006 and 370,873 shares in 2005	(8)	(10)
Total stockholders' equity	1,371	1,256
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 13,997	$ 12,194

The accompanying notes are an integral part of these condensed consolidated financial statements.

WILLIS GROUP HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2006	2005 As adjusted (Note 2)
	(millions) (unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 140	$ 67
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation expense and amortization of intangible assets	14	13
Provision for doubtful accounts	2	1
Minority interest	5	4
Provision for deferred income taxes	3	8
Excess tax benefits from share-based payment arrangements	(3)	(24)
Share-based compensation	3	4
Regulatory settlements (Note 8)	—	51
Other	(17)	12
Changes in operating assets and liabilities, net of effects from purchase of subsidiaries:		
Fiduciary funds—restricted	(133)	(342)
Accounts receivable	(1,550)	(1,777)
Accounts payable	1,645	1,893
Other assets and liabilities	(94)	(40)
Net cash provided by (used in) operating activities	15	(130)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on disposal of fixed assets	—	1
Additions to fixed assets	(12)	(10)
Net cash proceeds from sale of operations, net of cash disposed	1	—
Acquisitions of subsidiaries, net of cash acquired	(22)	(13)
Purchase of short-term investments	—	(12)
Proceeds on sale of short-term investments	9	12
Net cash used in investing activities	(24)	(22)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	4	13
Excess tax benefits from share-based payment arrangements	3	24
Dividends paid	(34)	(31)
Net cash (used in) provided by financing activities	(27)	6
DECREASE IN CASH AND CASH EQUIVALENTS	(36)	(146)
Effect of exchange rate changes on cash and cash equivalents	1	(5)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	193	351
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 158	$ 200

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. THE COMPANY AND ITS OPERATIONS

***Business*—**Willis Group Holdings Limited ("Willis Group Holdings") and subsidiaries (collectively, the "Company") provide a broad range of value-added risk management consulting and insurance brokerage services, both directly and indirectly through its associates, to a diverse base of clients internationally. The Company provides specialized risk management advisory and other services on a global basis to clients in various industries, including aerospace, marine, energy and construction. In its capacity as an advisor and insurance broker, the Company acts as an intermediary between clients and insurance carriers by advising clients on risk management requirements, helping clients determine the best means of managing risk, and negotiating and placing insurance risk with insurance carriers through the Company's global distribution network.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements ("Interim Financial Statements") have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

The Interim Financial Statements are unaudited but include all adjustments (consisting of normal recurring adjustments) which the Company's management considers necessary for a fair presentation of the financial position as of such dates and the operating results and cash flows for those periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted. The results of operations for the three month period ended March 31, 2006 may not necessarily be indicative of the operating results that may be incurred for the entire fiscal year.

The December 31, 2005 balance sheet was derived from audited financial statements but does not include all disclosures required by US GAAP. However, the Company believes that the disclosures are adequate to make the information presented not misleading. These Interim Financial Statements should be read in conjunction with the Company's consolidated balance sheets as of December 31, 2005 and 2004, and the related consolidated statements of operations, cash flows and changes in stockholders' equity for each of the three years in the period ended December 31, 2005 included in the Annual Report on Form 10-K filed with the Securities and Exchange Commission. Certain reclassifications have been made to the prior period amounts to conform to the current period presentation.

***Accounting Changes*—**With effect from January 1, 2006, the Company adopted SFAS 123R, Share-based payment, using the modified-retrospective transition method. The Company also changed the methodology used to determine the market-related value of UK pension plan assets.

The Company has two principal defined benefit plans: one in the United Kingdom and the other in the United States. Prior to January 1, 2006 the market-related value of the UK pension plan assets was determined using a calculated value whereas the market-related value of US pension plan assets was determined on a fair value basis. Changing to a fair value basis for UK pension plan assets aligns the accounting for the two schemes.

Each of these accounting changes is discussed in more detail below. The subsequent tables set out the line items in the condensed consolidated financial statements and any affected per-share amounts that have been retrospectively adjusted to reflect the changes. The tables also present the current period effect

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

on line items in the condensed consolidated financial statements that the changes in the method used to determine market-related value of UK pension plan assets had, together with any affected per-share amounts.

Pensions—SFAS 87, *Employers' Accounting for Pensions*, requires the expected return on plan assets to be determined based on the expected long-term rate of return on plan assets and the market-related value of plan assets. The market-related value of plan assets may either be a fair value or a calculated value that recognizes changes in a systematic and rational manner over not more than five years. Up to December 31, 2005, the market-related value of UK pension plan assets was determined using a calculated value that recognized asset gains or losses over five years. Effective January 1, 2006, the Company changed its method for determining the market-related value of UK pension plan assets to a fair value basis. The Company believes that fair value is a preferable measure of determining the market-related value of plan assets as it more fairly reflects the actual value of pension plan assets as of the balance sheet date. In addition, it brings the methodology used for calculating the market-related value of UK plan assets in line with the fair value methodology already used to value US plan assets.

In accordance with SFAS 154, *Accounting Changes and Error Corrections,* the change in method of determining the market-related value of plan assets has been applied retrospectively by adjusting all prior periods presented.

Share-based compensation—Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS 123R, using the modified-retrospective transition method. Under that transition method, compensation cost recognized from January 1, 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123, *Accounting for Stock-Based Compensation*, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R.

Results for all prior periods have been retrospectively adjusted to recognize the compensation cost previously reported in the pro forma footnote disclosures under the provisions of SFAS 123.

WILLIS GROUP HOLDINGS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following table presents the line items on the condensed consolidated statement of operations for the three months ended March 31, 2005, that were retrospectively adjusted to reflect the accounting changes:

	Three months ended March 31, 2005			
	As originally reported	Effect of pension accounting change	Adoption of SFAS 123R	As adjusted
	(millions, except per share data)			
Salaries and benefits	$ (386)	$ (3)	$ (4)	$ (393)
Operating income	94	(3)	(4)	87
Income taxes	(26)	1	1	(24)
Net income	72	(2)	(3)	67
Basic earnings per share	$ 0.44	$ (0.01)	$ (0.02)	$ 0.41
Diluted earnings per share	$ 0.43	$ (0.01)	$ (0.01)	$ 0.41

The following table presents the line items on the condensed consolidated balance sheet at December 31, 2005 that were retrospectively adjusted to reflect the accounting changes:

	December 31, 2005			
	As originally reported	Effect of pension accounting change	Adoption of SFAS 123R	As adjusted
	(millions)			
Deferred tax assets	$ 166	$ —	$ 8	$ 174
Total assets	12,186	—	8	12,194
Additional paid-in capital.	685	—	(128)	557
Retained earnings.	837	(25)	136	948
Accumulated other comprehensive loss, net of tax	(264)	25	—	(239)
Total stockholders' equity	1,248	—	8	1,256
Total liabilities and stockholders' equity.	12,186	—	8	12,194

WILLIS GROUP HOLDINGS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following table presents the line items on the condensed consolidated statement of cash flows for the three months ended March 31, 2005, that were retrospectively adjusted to reflect the accounting changes:

	Three months ended March 31, 2005			
	As originally reported	Effect of pension accounting change	Adoption of SFAS 123R	As adjusted
	(millions)			
Net income	$ 72	$ (2)	$ (3)	$ 67
Adjustments to reconcile net income to net cash used in operating activities:				
Provision for deferred income taxes	10	(1)	(1)	8
Excess tax benefits from share-based compensation arrangements	—	—	(24)	(24)
Share-based compensation.	—	—	4	4
Changes in operating assets and liabilities, net of effects from purchases of subsidiaries:				
Other assets and liabilities	(43)	3	—	(40)
Net cash used in operating activities	(106)	—	(24)	(130)
Cash flows from financing activities:				
Excess tax benefits from share-based compensation arrangements	—	—	24	24

Net cash (used in) provided by financing activities	(18)	—	24	6

The following table presents the cumulative effect of the accounting changes as of January 1, 2005:

	January 1, 2005			
	As originally reported	Effect of pension accounting change	Adoption of SFAS 123R	As adjusted
	(millions)			
Deferred tax assets	$ 203	$ —	$ (12)	$ 191
Total assets	11,653	—	(12)	11,641
Additional paid-in capital	977	—	(160)	817
Retained earnings	675	(18)	148	805
Accumulated other comprehensive loss, net of tax	(212)	18	—	(194)
Total stockholders' equity	1,424	—	(12)	1,412
Total liabilities and stockholders' equity	11,653	—	(12)	11,641

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to retrospectively adjusting prior accounting periods, SFAS 154 also requires disclosure of the current period effect on financial statement line items of a change in accounting principle. The following table presents the line items on the condensed consolidated statement of operations for the three months ended March 31, 2006 that were affected by the change in the method for determining the market related value of plan assets:

	Three months ended March 31, 2006		
	As computed based on calculated value	As reported based on fair value	Effect of change
	(millions, except per share data)		
Salaries and benefits	$ (354)	$ (348)	$ 6
Operating income	198	204	6
Income taxes	(60)	(62)	(2)
Net income	136	140	4
Basic earnings per share	$ 0.87	$ 0.89	$ 0.02
Diluted earnings per share	$ 0.86	$ 0.88	$ 0.02

The following table presents the line items on the condensed consolidated balance sheet at March 31, 2006 that were affected by the change in the method for determining the market related value of plan assets:

	March 31, 2006		
	As computed based on calculated value	As reported based on fair value	Effect of change
	(millions)		
Deferred tax assets	$ 176	$ 174	$ (2)
Other assets	264	270	6
Total assets	13,993	13,997	4
Retained earnings	1,029	1,050	21
Accumulated other comprehensive loss, net of tax	(263)	(238)	25
Total stockholders' equity	1,367	1,371	4
Total liabilities and stockholders' equity	13,993	13,997	4

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following table presents the line items on the condensed consolidated statement of cash flows for the three months ended March 31, 2006 that were affected by the change in the method for determining the market related value of plan assets:

	Three months ended March 31, 2006		
	As computed based on calculated value	As reported based on fair value	Effect of change
	(millions)		
Net income	$136	$140	$ 4
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for deferred income taxes	1	3	2
Changes in operating assets and liabilities, net of effects from purchases of subsidiaries:			
Other assets and liabilities	(88)	(94)	(6)
Net cash provided by operating activities	15	15	—

3. DERIVATIVE FINANCIAL INSTRUMENTS

The financial risks the Company manages through the use of financial instruments are interest rate risk and foreign currency risk. The Company's Board of Directors reviews and agrees on policies for managing each of these risks. The Company has applied SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133"), as amended, in accounting for these financial instruments.

The fair values of both interest rate contracts and foreign currency contracts are recorded in other assets and other liabilities on the balance sheet. For contracts that are qualifying cash flow hedges as defined by SFAS 133, changes in fair value are recorded as a component of other comprehensive income. Amounts are reclassified from other comprehensive income into earnings when the hedged exposure affects earnings. For contracts that do not qualify for hedge accounting as defined by SFAS 133, changes in fair value are recorded in other operating expenses.

The changes in fair value of derivative financial instruments have been recorded as follows:

	Three months ended March 31,	
	2006	2005
	(millions)	
Other operating expenses		
Foreign currency contracts	$ 1	$ —
Other comprehensive income		
Interest rate contracts (net of tax of $2 and $2)	(5)	(5)
Foreign currency contracts (net of tax of $nil and $(1))	—	3

4. PENSION PLANS

The components of the net periodic benefit cost of the UK and US defined benefit plans are as follows:

	Three months ended March 31,			
	UK Pension Benefits		US Pension Benefits	
	2006	2005 As adjusted (Note 2)	2006	2005
	(millions)			
Components of net periodic benefit cost:				
Service cost	$ 12	$ 12	$ 6	$ 6
Interest cost	23	23	8	8
Expected return on plan assets	(33)	(27)	(9)	(9)
Amortization of unrecognized prior service (gain) loss	(1)	(1)	1	—
Amortization of unrecognized actuarial loss	3	4	—	—
Net periodic benefit cost	$ 4	$ 11	$ 6	$ 5

As of March 31, 2006, $33 million and $5 million of contributions have been made to the UK and US defined benefit pension plans, respectively.

5. SHARE-BASED COMPENSATION

On March 31, 2006, the Company had three share-based compensation plans, which are described below. The compensation cost that has been charged against income for those plans for the three months ended March 31, 2006 was $3 million (2005: $4 million). The total income tax benefit recognized in the statement of operations for share-based compensation arrangements for the three months ended March 31, 2006 was $1 million (2005: $1 million).

Stock Option Plans

The Company has adopted the plans described below providing for the grant of time-based options and performance-based options and various other share-based grants to employees. The objectives of these plans include attracting and retaining the best personnel, motivating management personnel by means of growth-related incentives to achieve long-range goals and providing employees with the opportunity to increase their share ownership in the Company.

Amended and Restated 1998 Share Purchase and Option Plan—This plan, which was established on December 18, 1998, provides for the granting of time-based and performance-based options to employees of the Company. There are 30,000,000 shares available for grant under this plan provided, however, that in no event the total number of shares subject to options and other equity for current and future participants exceed 25 percent of the equity of Willis Group Holdings on a fully diluted basis. All options granted under this plan are exercisable at £2 per share ($3.48 using the period-end exchange rate of £1 = $1.74) except for 111,111 time-based options which are exercisable at $13.50. No further grants are to be made under this plan.

5. SHARE-BASED COMPENSATION (Continued)

Time-based options are earned upon the fulfilment of vesting requirements. Options are generally exercisable in equal instalments of 20 percent per year over a five-year period commencing on or after December 18, 2000.

Performance-based options became exercisable, subject to the fulfilment of vesting requirements with effect from January 1, 2003, upon the achievement of cash flow and EBITDA (as defined in the plan agreements) targets of Willis Group Limited. Options are generally exercisable in equal instalments of 25 percent per year over a four-year period commencing on or after December 18, 2001.

Willis Award Plan—This plan, which was established on July 13, 2000, provides for the granting of time-based options to selected employees who have been identified as superior performers. There are 5,000,000 shares available for grant under this plan provided, however, that in no event the total number of shares subject to options and other equity for current and future participants exceed 25 percent of the equity of Willis Group Holdings on a fully diluted basis. All options granted under this plan are exercisable at £2 per share ($3.48 using the period-end exchange rate of £1 = $1.74). The options vest immediately on the grant date and are exercisable any time up to July 13, 2010.

2001 Share Purchase and Option Plan—This plan, which was established on May 3, 2001, provides for the granting of time-based options and various other share-based grants at fair market value to employees of the Company. There are 25,000,000 shares available for grant under this plan. Options are exercisable on a variety of dates, including from the first, third, sixth or eighth anniversary of grant, although for certain options the exercisable date may accelerate depending on the achievement of certain performance goals. Unless terminated sooner by the Board of Directors, the 2001 Plan will expire 10 years after its adoption. That termination will not affect the validity of any grant outstanding at that date.

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model that uses the assumptions noted in the following table. Expected volatility is based on historical volatility of the Company's stock. The Company uses the simplified method set out in Staff Accounting Bulletin No. 107 to derive the expected term of options granted. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

	Three months ended March 31, 2006	2005
Expected volatility	30%	26%
Expected dividends	2.5%	2.0%
Expected life (years)	7	7
Risk-free interest rate	5.24%	4.34%

5. SHARE-BASED COMPENSATION (Continued)

A summary of option activity under the Plans at March 31, 2006, and changes during the three months then ended is presented below:

(Options in thousands)	Shares	Weighted Average Exercise Price(1)	Weighted Average Remaining Contractual term	Aggregate Intrinsic Value ($ millions)
Time-based stock options				
Balance, beginning of period	11,798	$ 30.97		
Granted	237	$ 35.32		
Exercised	(124)	$ 7.87		
Forfeited	(201)	$ 32.12		
Expired	(169)	$ 31.56		

Balance, end of period	11,541	$ 31.28	7 years	54
Options vested or expected to vest at March 31, 2006	11,437	$ 31.23	7 years	54
Options exercisable at March 31, 2006	3,773	$ 28.09	7 years	30
Performance-based stock options				
Balance, beginning of period	988	$ 3.48		
Exercised	(85)	$ 3.48		
Forfeited	(4)	$ 3.48		
Balance, end of period	899	$ 3.48	4 years	28
Options vested or expected to vest at March 31, 2006	899	$ 3.48	4 years	28
Options exercisable at March 31, 2006	822	$ 3.48	3 years	25

(1) Certain options are exercisable at £2 per share. The period-end exchange rate of £1 = $1.74 has been used as of March 31, 2006.

5. SHARE-BASED COMPENSATION (Continued)

The weighted average grant-date fair value of time-based options granted during the three months ended March 31, 2006 was $11.22 (2005: $10.02). The total intrinsic value of options exercised during the three months ended March 31, 2006 was $5 million (2005: $40 million). At March 31, 2006 there was $23 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements under time-based stock option plans; that cost is expected to be recognized over a weighted average period of one year.

No performance-based options were granted during the three months ended March 31, 2006 (2005: nil). The total intrinsic value of options exercised during the three months ended March 31, 2006 was $3 million (2005: $36 million). At March 31, 2006 there was no unrecognized compensation cost related to nonvested share-based compensation arrangements under performance-based stock option plans.

Cash received from option exercises under all share-based payment arrangements for the three months ended March 31, 2006 was $3 million (2005: $11 million). The actual tax benefit realized for the tax deductions from option exercise of the share-based payment arrangements totalled $3 million for the three months ended March 31, 2006 (2005: $24 million).

6. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing net income by the average number of shares outstanding during each period. The computation of diluted earnings per share reflects the potential dilution that could occur if dilutive securities and other contracts to issue shares were exercised or converted into shares or resulted in the issue of shares that then shared in the net income of the Company. At March 31, 2006, time-based and performance-based options to purchase 11.5 million and 0.9 million (2005: 12.8 million and 2.0 million) shares, respectively, and 0.2 million (2005: 0.3 million) restricted shares, were outstanding.

Basic and diluted earnings per share are as follows:

	Three months ended March 31, 2006	Three months ended March 31, 2005 As adjusted (Note 2)
	(millions, except per share data)	
Net income	$ 140	$ 67
Basic average number of shares outstanding	157	163
Dilutive effect of potentially issuable shares	2	2
Diluted average number of shares outstanding	159	165
Basic earnings per share	$ 0.89	$ 0.41
Dilutive effect of potentially issuable shares	(0.01)	—
Diluted earnings per share	$ 0.88	$ 0.41

6. EARNINGS PER SHARE (Continued)

Options to purchase 5.5 million shares for the three month period ended March 31, 2006 were not included in the computation of the dilutive effect of stock options because the effect was antidilutive (2005: nil).

7. LONG-TERM DEBT

Long-term debt consists of the following:

	March 31, 2006	December 31, 2005
	(millions)	
5.125% Senior notes due 2010	$ 250	$ 250
5.625% Senior notes due 2015	350	350
	$ 600	$ 600

On July 1, 2005, the Company completed a senior notes offering of $600 million, comprising $250 million, 5 year notes priced at 5.125 percent and $350 million, 10 year notes priced at 5.625 percent. The net proceeds from the offering were used to repay the then existing $450 million term loans on July 6, 2005 and the remainder used for general corporate purposes including additional pension fund contributions of $50 million.

On October 17, 2005, the Company completed the re-financing of the then existing 2003 undrawn revolving credit facility. The $150 million revolving credit facility was replaced by a new $300 million revolving credit facility with a term of 5 years, which remains undrawn.

8. COMMITMENTS AND CONTINGENCIES

Claims, Lawsuits and Other Proceedings—The Company is subject to various actual and potential claims, lawsuits and other proceedings relating principally to alleged errors and omissions in connection with the placement of insurance and reinsurance in the ordinary course of business. Similar to other corporations, the Company is also subject to a variety of other claims, including those relating to the Company's employment practices. Some of those claims, lawsuits and other proceedings seek damages in amounts which could, if assessed, be significant.

Errors and omissions claims, lawsuits and other proceedings arising in the ordinary course of business are covered by professional indemnity or other appropriate insurance. The terms of this insurance vary by policy year and self-insured risks have increased significantly over recent years. In respect of self-insured risks, the Company has established provisions which are believed to be adequate in the light of current information and legal advice, and the Company adjusts such provisions from time to time according to developments.

On the basis of current information, the Company does not expect that the actual claims, lawsuits and other proceedings, to which the Company is subject, or potential claims, lawsuits and other proceedings relating to matters of which it is aware will ultimately have a material adverse effect on the Company's financial condition, results of operations or liquidity. Nonetheless, given the large or indeterminate amounts sought in certain of these actions, and the inherent unpredictability of litigation, it is possible that

8. COMMITMENTS AND CONTINGENCIES (Continued)

an adverse outcome in certain matters could, from time to time, have a material adverse effect on the Company's results of operations or cash flows in particular quarterly or annual periods.

Inquiries and Investigations—In April 2005, the Company entered into an Assurance of Discontinuance ("NY AOD") with the New York Attorney General and the New York Superintendent of Insurance resolving the investigation commenced by the New York Attorney General in April 2004 which concerned, among other things, arrangements pursuant to which insurers compensated insurance brokers for distribution and other services provided to insurers and, as the investigation of brokers and insurers continued, broadened into an investigation of other possible violations of law, including violations of fiduciary duty, securities laws, and antitrust laws. Pursuant to the NY AOD, the Company has paid $50 million into a fund for eligible customers. The Company has also agreed to continue certain business reforms it had already implemented and to implement certain other business reforms. These reforms include an agreement not to accept contingent compensation; and an undertaking to disclose to customers any compensation the Company will receive in connection with providing policy placement services to the customer. The Company also resolved a similar investigation commenced by the Minnesota Attorney General by entering into an Assurance of Discontinuance pursuant to which the Company agreed, among other things, to pay $1 million to Minnesota customers and to continue or implement the business reforms described in the NY AOD. On October 1, 2005, the Company mailed letters to customers who were eligible to receive distributions out of the fund. In March 2006 checks were mailed to eligible customers who elected to participate in the fund. Eligible customers that elected to participate represented 87.93 percent of the $51 million fund. As required by the AOD, the remaining funds were redistributed on a pro rata basis to the participating customers. The Company continues to respond to requests for documents and information by the regulators and/or attorneys general of more than twenty other states, the District of Columbia, one US city, Canada, and Australia that are conducting similar investigations. The Company is co-operating fully with these investigations and has engaged in discussions with regulators and attorneys general about their investigations but cannot predict at this time how or when those investigations will be resolved.

The compensation arrangements, which were initially the subject of the investigation by the New York Attorney General, were a longstanding and common practice within the insurance industry and had been disclosed by the Company for many years. On October 21, 2004, the Company announced that it was voluntarily abolishing these compensation arrangements.

Our operations in eight countries have received a questionnaire from the European Commission pursuant to its Sector Enquiry related to insurance business practices, including compensation arrangements for brokers. At least 150 other European brokers have received similar questionnaires.

In August 2004, a proceeding was commenced in the Superior Court of the State of California, County of San Diego against the Company by United Policyholders, an organization purporting to act in a representative capacity on behalf of the California general public. The complaint alleges that the compensation arrangements between the Company and insurance carriers constitute deceptive trade practices, and it seeks both injunctive and equitable relief, including restitution. This action was dismissed in December 2004, but United Policyholders has filed an appeal. The dismissal of the complaint was based

8. COMMITMENTS AND CONTINGENCIES (Continued)

on the retroactive application of newly passed legislation. The Supreme Court of California is presently considering whether this newly passed legislation should have retroactive application. The court's decision will determine whether this case will be able to proceed. Since August 2004, various plaintiffs have filed purported class actions in the United States District Court for the Southern District of New York, the Northern District of Illinois, the Northern District of California, the New Jersey District court, and the Circuit Court for the Eighteenth Judicial Circuit in and for Seminole County, Florida Civil Division, under a variety of legal theories, including state tort, contract, fiduciary duty and statutory theories, and federal antitrust and RICO theories, and the Company anticipates that further similar suits could be filed. Other than a federal suit in Illinois that was voluntarily dismissed by the plaintiff in May 2005, all of the federal actions have been consolidated into two actions in federal court in New Jersey. One of the consolidated actions addresses employee benefits, while the other consolidated action addresses all other lines of insurance. In addition to the two federal actions, we have also been named as a defendant in purported class actions in state courts in Florida and Massachusetts. Both the consolidated federal actions and the state actions name various insurance carriers and insurance brokerage firms, including the Company, as defendants. The complaints seek monetary damages and equitable relief and make allegations regarding the practices and conduct that has been the subject of the investigation of state attorneys general and insurance commissioners, including allegations that the brokers have breached their duties to their clients by entering into contingent compensation agreements with either no disclosure or limited disclosure to clients and entered into other improper activities. The complaints also allege the existence of a conspiracy among the insurance carriers and brokers and the federal court complaints allege violations of the federal RICO statute. The Company disputes these allegations and intends to defend itself vigorously against these actions. The outcomes of these lawsuits, however, including any losses or other payments that may occur as a result, cannot be predicted at this time.

Insurance Market Dispute—Various legal proceedings are pending, have been concluded or may commence between reinsurers, reinsureds and in some cases their intermediaries, including reinsurance brokers, relating to personal accident excess of loss reinsurance for the years 1993 to 1998. The proceedings principally concern allegations by reinsurers that they have sustained substantial losses due to an alleged abnormal “spiral” in the market in which the reinsurance contracts were placed, the existence and nature of which, as well as other information, was not disclosed to them by the reinsureds or their reinsurance broker. A “spiral” is a market term for a situation in which reinsureds and reinsurers reinsure each other with the effect that the same loss or portion of that loss moves through the market multiple times.

The reinsurers concerned have taken the position that, despite their decisions to underwrite risks or a group of risks, they are no longer bound by their reinsurance contracts. As a result, they have stopped settling claims and are seeking to recover claims already paid. We also understand that there have been two arbitration awards in relation to a spiral, among other things, in which the reinsurer successfully argued that it was no longer bound by parts of its reinsurance program. Willis Limited, our principal insurance brokerage subsidiary in the United Kingdom, acted as the reinsurance broker or otherwise as intermediary, but not as an underwriter, for numerous personal accident reinsurance contracts, including for two contracts that were involved in one of the arbitrations. Due to the small number of reinsurance brokers generally, Willis Limited was one of a small number of brokers active in the market for this

8. COMMITMENTS AND CONTINGENCIES (Continued)

reinsurance during the relevant period. We also utilized other brokers active in this market as sub-agents, including brokers who are parties to the legal proceedings described above, for certain contracts and may be responsible for any errors and omissions they may have made. In July 2003, one of the reinsurers received a judgment in the English High Court against certain parties, including a sub-broker we used to place two of the contracts involved in this trial. Although neither we nor any of our subsidiaries were a party to this or any other proceeding or arbitration, we entered into standstill agreements with certain of the principals to the reinsurance contracts tolling the statute of limitations pending the outcome of proceedings between the reinsureds and reinsurers. Various arbitrations continue to be active and from time to time the principals request our co-operation and suggest that claims may be asserted against the Company, although at this time no actions are pending against the Company. The outcome or settlement of some of these arbitrations are pending and may lead to litigation against Willis.

Claims may also be made against us if reinsurers do not pay claims on policies issued by them. It is too early to know what amount of underwriting losses will be alleged to be attributable to an abnormal spiral or the other issues that may be raised, or what amount, if any, reinsureds or reinsurers or other intermediaries may seek to recover from us.

9. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Supplemental disclosures regarding cash flow information and non-cash flow investing and financing activities are as follows:

	Three months ended March 31,	
	2006	2005
	(millions)	

Supplemental disclosures of cash flow information:		
Cash payments for income taxes	$ 22	$ 1
Cash payments for interest	18	5
Supplemental disclosures of non-cash flow investing and financing activities:		
Issue of stock on acquisition of subsidiaries	$ 1	$ 3
Deferred payments on acquisitions of subsidiaries	1	2
Acquisitions:		
Fair value of assets acquired	$ 60	$ 5
Less: liabilities assumed	(58)	(9)
cash acquired	(2)	—
Net liabilities assumed, net of cash acquired	$ —	$ (4)

10. ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAX (Continued)

The components of comprehensive income are as follows:

	Three months ended March 31, 2006	2005 As adjusted (Note 2)
	(millions)	
Net income	$ 140	$ 67
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment	6	(7)
Unrealized holding loss	—	(1)
Net loss on derivative instruments (net of tax of $2 and $1)	(5)	(2)
Other comprehensive income (loss) (net of tax of $2 and $1)	1	(10)
Comprehensive income	$ 141	$ 57

The components of accumulated other comprehensive loss, net of tax, are as follows:

	March 31, 2006	December 31, 2005 As adjusted (Note 2)
	(millions)	
Net foreign currency translation adjustment	$ (39)	$ (45)
Net minimum pension liability adjustment	(193)	(193)
Net unrealized loss on derivative instruments	(6)	(1)
Accumulated other comprehensive loss, net of tax	$ (238)	$ (239)

11. SEGMENT INFORMATION

The Company conducts its worldwide insurance brokerage activities through three operating segments: Global, North America and International. Each operating segment exhibits similar economic characteristics, provides similar products and services and distributes same through common distribution channels to a common type or class of customer. In addition, the regulatory environment in each region is similar. Consequently, for financial reporting purposes the Company has aggregated these three operating segments into one reportable segment.

12. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES

On July 1, 2005, Willis North America Inc. (“Willis North America”) issued debt securities totaling $600 million under its April 2003 registration statement. The debt securities are jointly and severally, irrevocably and fully and unconditionally guaranteed by Willis Group Holdings, Willis Group Limited, Trinity Acquisition Limited, TA I Limited, TA II Limited, TA III Limited and TA IV Limited.

Presented below is condensed consolidating financial information for: i) Willis Group Holdings, which will be a guarantor, on a parent company only basis; ii) the Other Guarantors which are all 100% owned

12. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)

subsidiaries of the parent; iii) the Issuer, Willis North America; iv) Other, which are the non-guarantor subsidiaries, on a combined basis; v) Eliminations; and vi) Consolidated Company and subsidiaries. The equity method has been used for all investments in subsidiaries.

The entities included in the Other Guarantors column are Willis Group Limited, Trinity Acquisition Limited, TA I Limited, TA II Limited, TA III Limited and TA IV Limited.

Condensed Consolidating Statement of Operations

	Three months ended March 31, 2006					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other (millions)	Eliminations	Consolidated
REVENUES						
Commissions and fees	$ —	$ —	$ —	$ 652	$ —	$ 652
Investment income	—	—	3	24	(8)	19
Total revenues	—	—	3	676	(8)	671
EXPENSES						
Salaries and benefits	—	—	—	(348)	—	(348)
Other operating expenses	—	2	1	(121)	13	(105)
Depreciation expense and amortization of intangible assets	—	—	(1)	(10)	(3)	(14)
Total expenses	—	2	—	(479)	10	(467)
OPERATING INCOME	—	2	3	197	2	204
Investment income from Group undertakings	—	56	45	24	(125)	—
Interest expense, net	—	(48)	(15)	(25)	79	(9)
INCOME BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	—	10	33	196	(44)	195
INCOME TAXES	—	(5)	4	(58)	(3)	(62)
INCOME BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	—	5	37	138	(47)	133
EQUITY IN NET INCOME OF ASSOCIATES, NET OF TAX	—	—	—	14	—	14
MINORITY INTEREST, NET OF TAX	—	—	—	(2)	(5)	(7)
EQUITY ACCOUNT FOR SUBSIDIARIES	140	132	(36)	—	(236)	—
NET INCOME	$ 140	$ 137	$ 1	$ 150	$ (288)	$ 140

12. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)

Condensed Consolidating Statement of Operations

	Three months ended March 31, 2005 as adjusted (Note 2)					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other (millions)	Eliminations	Consolidated
REVENUES						
Commissions and fees	$—	$ —	$ —	$ 651	$ —	$ 651
Investment income	—	—	2	25	(9)	18
Total revenues	—	—	2	676	(9)	669
EXPENSES						
Salaries and benefits	—	—	—	(393)	—	(393)
Other operating expenses	—	(4)	(4)	(117)	—	(125)
Regulatory settlements	—	—	(51)	—	—	(51)
Depreciation expense and amortization of intangible assets	—	—	(1)	(10)	(2)	(13)
Net gain on disposal of operations	—	—	—	7	(7)	—

Total expenses	—	(4)	(56)	(513)	(9)	(582)
OPERATING (LOSS) INCOME	—	(4)	(54)	163	(18)	87
Investment income from Group undertakings	—	54	49	16	(119)	—
Interest expense, net	—	(45)	(11)	(25)	75	(6)
INCOME (LOSS) BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	—	5	(16)	154	(62)	81
INCOME TAXES	—	(1)	26	(55)	6	(24)
INCOME BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	—	4	10	99	(56)	57
EQUITY IN NET INCOME OF ASSOCIATES, NET OF TAX	—	—	—	14	—	14
MINORITY INTEREST, NET OF TAX	—	—	—	(2)	(2)	(4)
EQUITY ACCOUNT FOR SUBSIDIARIES	67	55	(59)	—	(63)	—
NET INCOME (LOSS)	$ 67	$ 59	$ (49)	$ 111	$ (121)	$ 67

12. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)

Condensed Consolidating Balance Sheet

	As at March 31, 2006					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
ASSETS						
Cash and cash equivalents	$ 5	$ —	$ —	$ 153	$ —	$ 158
Fiduciary funds—restricted	—	—	23	1,695	—	1,718
Accounts receivable	168	2,225	1,341	10,784	(4,865)	9,653
Goodwill and other intangible assets	—	—	2	220	1,385	1,607
Deferred tax assets	—	—	3	228	(57)	174
Other assets	—	79	17	640	(49)	687
Equity accounted subsidiaries	1,267	2,024	707	2,175	(6,173)	—
TOTAL ASSETS	$ 1,440	$ 4,328	$ 2,093	$ 15,895	$ (9,759)	$ 13,997
LIABILITIES AND STOCKHOLDERS' EQUITY						
Accounts payable	$ 31	$ 2,956	$ 1,513	$ 11,244	$ (4,854)	$ 10,890
Deferred revenue and accrued expenses	—	—	2	255	(22)	235
Income taxes payable	—	110	—	134	(49)	195
Long-term debt	—	—	600	—	—	600
Other liabilities	38	—	55	556	26	675
Total liabilities	69	3,066	2,170	12,189	(4,899)	12,595
MINORITY INTEREST	—	—	—	5	26	31
STOCKHOLDERS' EQUITY	1,371	1,262	(77)	3,701	(4,886)	1,371
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,440	$ 4,328	$ 2,093	$ 15,895	$ (9,759)	$ 13,997

12. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)

Condensed Consolidating Balance Sheet

	As at December 31, 2005 as adjusted (Note 2)					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
ASSETS						
Cash and cash equivalents	$ 1	$ 42	$ 19	$ 131	$ —	$ 193
Fiduciary funds—restricted	—	—	55	1,508	—	1,563
Accounts receivable	234	2,988	1,539	9,030	(5,765)	8,026
Goodwill and other intangible assets	—	—	2	211	1,371	1,584
Deferred tax assets	—	—	—	232	(58)	174
Other assets	1	68	18	611	(44)	654
Equity accounted subsidiaries	1,118	1,886	714	2,134	(5,852)	—
TOTAL ASSETS	$ 1,354	$ 4,984	$ 2,347	$ 13,857	$ (10,348)	$ 12,194
LIABILITIES AND STOCKHOLDERS' EQUITY						
Accounts payable	$ 62	$ 3,772	$ 1,763	$ 9,313	$ (5,762)	$ 9,148
Deferred revenue and accrued expenses	1	—	2	379	(15)	367
Income taxes payable	—	92	—	137	(76)	153
Long-term debt	—	—	600	—	—	600
Other liabilities	35	—	60	508	42	645
Total liabilities	98	3,864	2,425	10,337	(5,811)	10,913
MINORITY INTEREST	—	—	—	2	23	25
STOCKHOLDERS' EQUITY	1,256	1,120	(78)	3,518	(4,560)	1,256
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,354	$ 4,984	$ 2,347	$ 13,857	$ (10,348)	$ 12,194

12. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)

Condensed Consolidating Statement of Cash Flows

	Three months ended March 31, 2006					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
	(millions)					
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ —	$ 9	$ 16	$ (10)	$ —	$ 15
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of subsidiaries, net of cash acquired	—	—	—	(22)	—	(22)
Other	—	—	(3)	1	—	(2)
Net cash used in investing activities	—	—	(3)	(21)	—	(24)
CASH FLOWS FROM FINANCING ACTIVITIES						
Amounts owed by and to Group undertakings	37	(51)	(77)	91	—	—
Proceeds from issue of shares	1	—	—	3	—	4
Excess tax benefits from share-based payment arrangements	—	—	—	3	—	3
Dividends paid	(34)	—	45	(45)	—	(34)
Net cash provided by (used in) financing activities	4	(51)	(32)	52	—	(27)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4	(42)	(19)	21	—	(36)

Effect of exchange rate changes on cash and cash equivalents	—	—	—	1	—	1
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1	42	19	131	—	193
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 5	$ —	$ —	$ 153	$ —	$ 158

12. FINANCIAL INFORMATION FOR PARENT GUARANTOR, OTHER GUARANTOR SUBSIDIARIES AND NON-GUARANTOR SUBSIDIARIES (Continued)

Condensed Consolidating Statement of Cash Flows

	Three months ended March 31, 2005 as adjusted (Note 2)					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
				(millions)		
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ —	$ 3	$ (8)	$ (125)	$ —	$ (130)
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of subsidiaries, net of cash acquired	—	—	—	(13)	—	(13)
Other	—	—	(1)	(8)	—	(9)
Net cash used in investing activities	—	—	(1)	(21)	—	(22)
CASH FLOWS FROM FINANCING ACTIVITIES						
Amounts owed by and to Group undertakings	(51)	(66)	(47)	164	—	—
Proceeds from issue of shares	11	5	—	(3)	—	13
Excess tax benefits from share-based payment arrangements	—	—	—	24	—	24
Dividends paid	(31)	—	49	(49)	—	(31)
Net cash (used in) provided by financing activities	(71)	(61)	2	136	—	6
DECREASE IN CASH AND CASH EQUIVALENTS	(71)	(58)	(7)	(10)	—	(146)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(5)	—	(5)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	79	58	14	200	—	351
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 8	$ —	$ 7	$ 185	$ —	$ 200

13. SUBSEQUENT EVENTS

The Company intends to file a new shelf registration on Form S-3 under which Willis Group Holdings may offer debt securities, preferred stock, common stock and other securities. In addition, Trinity Acquisition Limited may offer debt securities (“the Subsidiary Debt Securities”). The Subsidiary Debt Securities, if issued, will be guaranteed by certain of the Company’s subsidiaries.

13. SUBSEQUENT EVENTS (Continued)

Presented below is condensed consolidating financial information for: i) Willis Group Holdings, which will be a guarantor, on a parent company only basis; ii) the Other Guarantors, which are all wholly owned subsidiaries of the parent; iii) the Issuer, Trinity Acquisition Limited; iv) Other, which are the non-guarantor subsidiaries, on a combined basis; v) Eliminations; and vi) Consolidated Company and subsidiaries. The equity method has been used for all investments in subsidiaries.

The entities included in the Other Guarantors column are TA I Limited, TA II Limited and TA III Limited.

Condensed Consolidating Statement of Operations

	Three months ended March 31, 2006					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
				(millions)		
REVENUES						
Commissions and fees	$ —	$ —	$ —	$ 652	$ —	$ 652
Investment income	—	—	—	27	(8)	19
Total revenues	—	—	—	679	(8)	671
EXPENSES						
Salaries and benefits	—	—	—	(348)	—	(348)
Other operating expenses	—	—	(1)	(117)	13	(105)
Depreciation expense and amortization of intangible assets	—	—	—	(11)	(3)	(14)
Total expenses	—	—	(1)	(476)	10	(467)
OPERATING (LOSS) INCOME	—	—	(1)	203	2	204
Investment income from Group undertakings	—	—	40	85	(125)	—
Interest expense, net	—	—	(9)	(79)	79	(9)
INCOME BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	—	—	30	209	(44)	195
INCOME TAXES	—	—	(10)	(49)	(3)	(62)
INCOME BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	—	—	20	160	(47)	133
EQUITY IN NET INCOME OF ASSOCIATES, NET OF TAX	—	—	—	14	—	14
MINORITY INTEREST, NET OF TAX	—	—	—	(2)	(5)	(7)
EQUITY ACCOUNT FOR SUBSIDIARIES	140	137	122	—	(399)	—
NET INCOME	$ 140	$ 137	$ 142	$ 172	$ (451)	$ 140

13. SUBSEQUENT EVENTS (Continued)

Condensed Consolidating Statements of Operations

	Three months ended March 31, 2005 as adjusted (Note 2)					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
				(millions)		
REVENUES						
Commissions and fees	$ —	$ —	$ —	$ 651	$ —	$ 651
Investment income	—	—	—	27	(9)	18
Total revenues	—	—	—	678	(9)	669
EXPENSES						
Salaries and benefits	—	—	—	(393)	—	(393)
Other operating expenses	—	—	—	(125)	—	(125)
Regulatory settlements	—	—	—	(51)	—	(51)
Depreciation expense and amortization of intangible assets	—	—	—	(11)	(2)	(13)
Net gain on disposal of operations	—	—	—	7	(7)	—
Total expenses	—	—	—	(573)	(9)	(582)
OPERATING INCOME	—	—	—	105	(18)	87
Investment income from Group undertakings	—	—	39	80	(119)	—
Interest expense, net	—	—	(6)	(75)	75	(6)
INCOME BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	—	—	33	110	(62)	81

INCOME TAXES	—	—	(8)	(22)	6	(24)
INCOME BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST	—	—	25	88	(56)	57
EQUITY IN NET INCOME OF ASSOCIATES, NET OF TAX	—	—	—	14	—	14
MINORITY INTEREST, NET OF TAX	—	—	—	(2)	(2)	(4)
EQUITY ACCOUNT FOR SUBSIDIARIES	67	59	52	—	(178)	—
NET INCOME	$ 67	$ 59	$ 77	$ 100	$ (236)	$ 67

13. SUBSEQUENT EVENTS (Continued)

Condensed Consolidating Balance Sheet

	As at March 31, 2006					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
				(millions)		
ASSETS						
Cash and cash equivalents	$ 5	$ —	$ —	$ 153	$ —	$ 158
Fiduciary funds—restricted	—	—	—	1,718	—	1,718
Accounts receivable	168	2	1,456	12,892	(4,865)	9,653
Goodwill and other intangible assets	—	—	—	222	1,385	1,607
Deferred tax assets	—	—	—	231	(57)	174
Other assets	—	—	—	736	(49)	687
Equity accounted subsidiaries	1,267	1,261	572	4,814	(7,914)	—
TOTAL ASSETS	$ 1,440	$ 1,263	$ 2,028	$ 20,766	$ (11,500)	$ 13,997
LIABILITIES AND STOCKHOLDERS' EQUITY						
Accounts payable	$ 31	$ 1	$ 643	$ 15,069	$ (4,854)	$ 10,890
Deferred revenue and accrued expenses	—	—	—	257	(22)	235
Income taxes payable	—	—	89	155	(49)	195
Long-term debt	—	—	—	600	—	600
Other liabilities	38	—	—	611	26	675
Total liabilities	69	1	732	16,692	(4,899)	12,595
MINORITY INTEREST	—	—	—	5	26	31
STOCKHOLDERS' EQUITY	1,371	1,262	1,296	4,069	(6,627)	1,371
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,440	$ 1,263	$ 2,028	$ 20,766	$ (11,500)	$ 13,997

13. SUBSEQUENT EVENTS (Continued)

Condensed Consolidating Balance Sheet

	As at December 31, 2005 as adjusted (Note 2)					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
				(millions)		
ASSETS						
Cash and cash equivalents	$ 1	$ —	$ 3	$ 189	$ —	$ 193
Fiduciary funds—restricted	—	—	—	1,563	—	1,563
Accounts receivable	234	635	1,626	11,296	(5,765)	8,026

	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
Goodwill and other intangible assets	—	—	—	213	1,371	1,584
Deferred tax assets	—	—	—	232	(58)	174
Other assets	1	—	—	697	(44)	654
Equity accounted subsidiaries	1,118	1,116	445	4,773	(7,452)	—
TOTAL ASSETS	$ 1,354	$ 1,751	$ 2,074	$ 18,963	$ (11,948)	$ 12,194
LIABILITIES AND STOCKHOLDERS' EQUITY						
Accounts payable	$ 62	$ 631	$ 848	$ 13,369	$ (5,762)	$ 9,148
Deferred revenue and accrued expenses	1	—	—	381	(15)	367
Income taxes payable	—	—	79	150	(76)	153
Long-term debt	—	—	—	600	—	600
Other liabilities	35	—	—	568	42	645
Total liabilities	98	631	927	15,068	(5,811)	10,913
MINORITY INTEREST	—	—	—	2	23	25
STOCKHOLDERS' EQUITY	1,256	1,120	1,147	3,893	(6,160)	1,256
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,354	$ 1,751	$ 2,074	$ 18,963	$ (11,948)	$ 12,194

13. SUBSEQUENT EVENTS (Continued)

Condensed Consolidating Statement of Cash Flows

	Three months ended March 31, 2006					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other (millions)	Eliminations	Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ —	$ —	$ 29	$ (14)	$ —	$ 15
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of subsidiaries, net of cash acquired	—	—	—	(22)	—	(22)
Other	—	—	—	(2)	—	(2)
Net cash used in investing activities	—	—	—	(24)	—	(24)
CASH FLOWS FROM FINANCING ACTIVITIES						
Amounts owed by and to Group undertakings	37	—	(32)	(5)	—	—
Proceeds from issue of shares	1	—	—	3	—	4
Excess tax benefits from share-based payment arrangements	—	—	—	3	—	3
Dividends paid	(34)	—	—	—	—	(34)
Net cash provided by (used in) financing activities	4	—	(32)	1	—	(27)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4	—	(3)	(37)	—	(36)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	1	—	1
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1	—	3	189	—	193
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 5	$ —	$ —	$ 153	$ —	$ 158

13. **SUBSEQUENT EVENTS (Continued)**

Condensed Consolidating Statement of Cash Flows

	Three months ended March 31, 2005 as adjusted (Note 2)					
	Willis Group Holdings	The Other Guarantors	The Issuer	Other	Eliminations	Consolidated
				(millions)		
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ —	$ —	$ 34	$ (164)	$ —	$ (130)
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of subsidiaries, net of cash acquired	—	—	—	(13)	—	(13)
Other	—	—	—	(9)	—	(9)
Net cash used in investing activities	—	—	—	(22)	—	(22)
CASH FLOWS FROM FINANCING ACTIVITIES						
Amounts owed by and to Group undertakings	(51)	—	(34)	85	—	—
Proceeds from issue of shares	11	—	—	2	—	13
Excess tax benefits from share-based payments	—	—	—	24	—	24
Dividends paid	(31)	—	—	—	—	(31)
Net cash (used in) provided by financing activities	(71)	—	(34)	111	—	6
DECREASE IN CASH AND CASH EQUIVALENTS	(71)	—	—	(75)	—	(146)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(5)	—	(5)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	79	—	—	272	—	351
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 8	$ —	$ —	$ 192	$ —	$ 200