WILLIS GROUP SERVICES LIMITED

(Registered No. 1451456)

DIRECTORS' REPORT AND FINANCIAL STATMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

DIRECTORS

MP Chitty
T Colraine
M Wright

SECRETARY

TM Warren

REGISTERED OFFICE

Ten Trinity Square
London EC3P 3AX

AUDITORS

Deloitte & Touche LLP
London

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

The directors present their report, together with the financial statements, for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES AND REVIEW OF DEVELOPMENTS

The Company provides financial, leasing, property holding and administrative services principally for subsidiaries of Willis Group Limited.

RESULTS

The loss on ordinary activities after taxation amounted to £4,696,000 (2002 : £9,409,000).

FUTURE DEVELOPMENTS

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

DIVIDENDS

No interim dividend was paid during the year (2002 : £2,841,000). The directors do not recommend the payment of a final dividend (2002 : £Nil).

DIRECTORS AND THEIR INTERESTS

The present directors of the Company are named on page 1 which forms part of this report. All directors served throughout the year and there have been no changes since the year-end.

The directors who held office on 31 December 2003 and whose interests are not reported in the financial statements of a parent company had the following interests in the common shares of Willis Group Holdings Limited, the ultimate parent company, as recorded in the register kept for the purpose.

Director	Common shares of $0.000115 each		Options over common shares of $0.000115 each			
	1.1.2003	31.12.2003	1.1.2003	Granted	Exercised	31.12.2003
M Wright	90,720	176,400	186,073	117	85,680	100,510

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

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

The Companies Act 1985 (as amended) requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

In preparing the financial statements on pages 5 to 14 the directors consider that:

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

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

They are also responsible for the system of internal control, for safeguarding the assets of the Company and have taken reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

AUDITORS

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

By Order of the Board

TM Warren
Secretary

16 April 2004

Ten Trinity Square
London EC3P 3AX

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

We have audited the financial statements of Willis Group Services Limited for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet, the movement in shareholders' funds and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the statement of the directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

4 May 2004

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 £000	2002 £000
Turnover		110,549	93,142
OPERATING REVENUE		110,549	93,142
Operating expenses		108,533	97,703
OPERATING PROFIT / (LOSS)	3	2,016	(4,561)
Interest and investment income	4	1,823	837
Interest payable	5	7,921	8,216
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(4,082)	(11,940)
Tax charge / (credit) on loss on ordinary activities	8	614	(2,531)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(4,696)	(9,409)
Dividends paid	9	-	2,841
RETAINED LOSS FOR THE FINANCIAL YEAR	18	(4,696)	(12,250)

All activities derive from continuing operations.

RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2003

There are no recognised gains or losses other than the loss attributable to shareholders of the Company of £4,696,000 in the year ended 31 December 2003 and the loss of £9,409,000 in the year ended 31 December 2002.

BALANCE SHEET AS AT 31 DECEMBER 2003

	Note	2003 £000	2002 £000
FIXED ASSETS			
Tangible assets	10	87,456	86,080
CURRENT ASSETS			
Debtors:			
Amounts falling due within one year	12	386,856	396,658
Amounts falling due after one year	12	6,504	5,767
		393,360	402,425
Deposits and cash		10,210	1,092
		403,570	403,517
CURRENT LIABILITIES			
CREDITORS : amounts falling due within one year	14	486,869	478,955
NET CURRENT LIABILITIES		(83,299)	(75,438)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,157	10,642
PROVISIONS FOR LIABILITIES AND CHARGES	15	6,913	8,702
		(2,756)	1,940
CAPITAL AND RESERVES			
Called up share capital	16	5,000	5,000
Undistributable reserve	17	7	7
Profit and loss account	18	(7,763)	(3,067)
EQUITY SHAREHOLDERS' (DEFICIT) / FUNDS		(2,756)	1,940

These financial statements were approved by the Board of directors and signed on its behalf on 16 April 2004.

T Colraine
Director

MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2003

	2003 £000	2002 £000
Loss for the financial year	(4,696)	(9,409)
Dividends paid	-	(2,841)
Net movement in shareholders' funds for the year	(4,696)	(12,250)
Shareholders' funds at 1 January	1,940	14,190
Shareholders' (deficit) / funds at 31 December	(2,756)	1,940

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003

1. ULTIMATE PARENT COMPANY

The Company is a wholly-owned subsidiary of Willis Faber Limited. The ultimate parent company is Willis Group Holdings Limited, a company incorporated in Bermuda, and the ultimate controlling party is KKR 1996 Overseas, Limited, a company incorporated in the Cayman Islands.

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

2. ACCOUNTING POLICIES

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

(b) Turnover
Turnover, which arises solely in the UK, comprises income on leased assets and fees received in respect of management services and recharges of expenses to other group undertakings.

(c) Currency translation
Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction, or, in the case of forward contracts in respect of the current year's income, at the contracted rate. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

(d) Tangible fixed assets
The Group has adopted the transitional rule of FRS 15 'Tangible fixed assets' which permits the retention of the carrying values of properties based on previously revalued amounts. The Group's principal properties, valued at 31 December 1995, will not be subject to further revaluations. Other fixed assets are shown at historical cost to the Group. The carrying value of tangible fixed assets is reviewed for impairment when events indicate that this value may not be recoverable. Any impairment in the value of fixed assets is charged to the profit and loss account in the period in which it occurs.

(e) Depreciation
Depreciation is calculated on a straight line basis at rates estimated to write down the value of assets to their estimated residual value at the end of their estimated useful economic lives. The rates generally used are:

Motor vehicles	25 per cent per annum
Furniture and equipment	Between 10 and 25 per cent per annum
Software	Between 20 and 33 per cent per annum
Freehold buildings and long leaseholds	Between 2 and 20 per cent per annum
Short leaseholds	Period of lease
Freehold land	No depreciation charged

(f) Fixed asset investments
Investments in subsidiaries are carried at cost less provision for any impairment.

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

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

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

2. ACCOUNTING POLICIES (continued)

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

(i) Leased assets
Rentals payable / receivable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

3. OPERATING PROFIT / (LOSS)

	2003 £000	2002 £000
Operating profit / (loss) is stated after charging / (crediting):		
Depreciation on and other amounts written off tangible and intangible fixed assets:		
Owned assets	19,323	10,164
Rentals under operating leases:		
Land and buildings	7,718	4,670
Rental income	(2,623)	(3,676)

The Company paid operating lease rental commitments on behalf of another group undertaking, Willis UK Limited.

	2003 £000	2002 £000
Auditors remuneration :		
Audit fees	433	31

The Company bore the audit fees of other UK group companies in the year ending 31 December 2003.

4. INTEREST AND INVESTMENT INCOME

	2003 £000	2002 £000
Interest receivable	905	817
Interest receivable from group undertakings	918	20
	1,823	837

5. INTEREST PAYABLE

	2003 £000	2002 £000
Interest payable to group undertakings	6,862	7,224
Other interest payable	1,059	992
	7,921	8,216

6. EMPLOYEE COSTS

	2003 £000	2002 £000
Salaries	30,160	28,516
Social security costs	2,842	2,867
Other pension costs	1,636	1,866
	34,638	33,249

	2003 Number	2002 Number
Number of employees - average for the period (all administration staff)	570	561

The staff working for the Company, including directors, are employed by other subsidiary undertakings of Willis Group Holdings Limited. The Company bears the cost of the salaries, social security payments and pension contributions relating to such staff and reimburses the employing company for the full amount of the costs incurred, as shown above.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

7. DIRECTORS' REMUNERATION

	2003 £000	2002 £000
Emoluments (excluding pension contributions and long term incentive awards)	858	605
Benefits	17	16
	875	621

	2003 £000	2002 £000
Highest paid director :		
Emoluments (excluding pension contributions and long term incentive awards)	587	343
Accrued annual pension	17	14
	604	357

	2003 Number	2002 Number
Directors exercising share options	2	1
Directors eligible for defined benefit pension schemes	2	2

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	2003 £000	2002 £000
(a) Analysis of charge for the year		
Current tax:		
UK corporation tax on losses of 30% (2002: 30%) (note 8(b))	1,351	(3,559)
Deferred tax (note 13):		
Origination and reversal of timing differences	(2,099)	1,028
Adjustments to the estimated recoverable amount of deferred tax assets arising in previous periods	1,362	-
	(737)	1,028
Tax on loss on ordinary activities	614	(2,531)

	2003 £000	2002 £000
(b) Factors affecting tax charge / (credit) for the year:		
The tax assessed for the year is higher (2002: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
Loss on ordinary activities before tax	(4,082)	(11,940)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	(1,224)	(3,582)
Effects of:		
Expenses not deductible for tax purposes	476	1,051
Movement in short term timing differences	(361)	(349)
Capital allowances for the year in excess of depreciation	2,460	(679)
Current tax charge for the year (note 8(a))	1,351	(3,559)

9. DIVIDENDS

	2003 £000	2002 £000
First Interim paid	-	2,841

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

10. TANGIBLE ASSETS

	Land and buildings £000	Furniture, equipment, software and vehicles £000	Total £000
Cost or valuation:			
1 January 2003	86,090	59,362	145,452
Additions	443	21,589	22,032
Disposals	(558)	(6,213)	(6,771)
31 December 2003	85,975	74,738	160,713
Depreciation :			
1 January 2003	24,646	34,726	59,372
Provision for the year	3,684	15,639	19,323
Disposals	(527)	(4,911)	(5,438)
31 December 2003	27,803	45,454	73,257
Net book value 31 December 2003	58,172	29,284	87,456
Net book value 31 December 2002	61,444	24,636	86,080

		2003 £000	2002 £000
Net book value of land and buildings :			
Freehold :	Land	16,879	16,879
	Buildings	38,677	40,433
Leasehold :	Long	-	2
	Short	2,616	4,130
31 December 2003		58,172	61,444

The transitional rules of FRS 15 'Tangible fixed assets' have been adopted for Group properties, which permit the retention of the carrying values at the previously revalued amounts. The Group's principal properties, valued at 31 December 1995, will not be subject to further revaluations. Other fixed assets are shown at historical cost to the Group. Any impairment in the value of fixed assets is charged to the profit and loss account in accordance with FRS 11 'Impairment of fixed assets and goodwill'.

The Group's principal freehold properties were valued at 31 December 1995 on the basis of open market value for existing use. The carrying value of these revalued properties, at 31 December 2003 was £57.3 million (2002 : £57.3 million), before accumulated depreciation of £15.1 million (2002 : £13.1 million). On an historical cost basis these properties would be included at cost of £57.1 million (2002 : £57.1 million) less accumulated depreciation of £28.6 million (2002 : £27.5 million).

No tax would be payable on the realisation of revalued properties at their net funds value by virtue of available capital losses carry forward.

11. SHARES IN SUBSIDIARY UNDERTAKINGS

The principal subsidiary undertakings at 31 December 2003 were :

	Class of Share	Percentage of share capital held
TRUSTEES		
Willis Group Medical Trust Limited	Ordinary of £1 each	100%
DORMANT		
Sailgold Limited	Ordinary of £1 each	100%
Ropepath Limited	Ordinary of £1 each	100%
Willis Corroon Nominees Limited	Ordinary of £1 each	100%

All subsidiary undertakings were incorporated in Great Britain except where stated. The Company is exempt from the obligation to prepare Group financial statements in accordance with Section 228 of the Companies Act 1985 (as amended) as the Company is a wholly-owned subsidiary of TA I Limited, in whose financial statements it is consolidated. These financial statements relate to the Company only and not to its Group.

In the opinion of the directors, the value of the shares in the subsidiary undertakings is nil.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

12. DEBTORS

	2003 £000	2002 £000
Due within one year:		
Amounts owed by Group undertakings	376,407	386,181
Corporation tax	-	1,560
Other debtors	10,449	8,917
	386,856	396,658
Due after more than one year :		
Amounts owed by Group undertakings	460	460
Deferred tax asset (see note 13)	6,044	5,307
	6,504	5,767
	393,360	402,425

13. DEFERRED TAX

Deferred tax has been provided in full in respect of assets / liabilities arising from the *following timing differences (note 12):*

	2003 £000	2002 £000
Capital allowances	2,351	(109)
Other provisions	3,693	5,416
	6,044	5,307
At 1 January	5,307	6,335
Deferred tax credit / (debit) in profit and loss account (note 8(a))	737	(1,028)
At 31 December	6,044	5,307

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

14. CREDITORS : amounts falling due within one year

	2003 £000	2002 £000
Amounts owed to Group undertakings	439,403	415,347
Corporation tax	3,350	-
Income tax and social security	4,920	4,446
Other creditors	27,345	48,285
Accruals and deferred income	11,851	10,877
	486,869	478,955

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Exceptional restructuring cost (a) £000	Errors and omissions (b) £000	Total £000
1 January 2003	8,505	197	8,702
Profit and loss account movements	887	(137)	750
Used in the year	(2,539)	-	(2,539)
31 December 2003	6,853	60	6,913

(a) The exceptional restructuring provision is in respect of properties no longer required for operational purposes.

(b) Errors and omissions provision

Provisions comprise estimates for liabilities that may arise from actual and potential claims for errors and omissions. At 31 December 2003, the total amount recoverable from the Group's captive insurer was £Nil (2002 : £134,816).

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

16. CALLED UP SHARE CAPITAL

	2003 £000	2002 £000
Authorised, allotted, issued and fully paid:		
5,000,000 ordinary shares of £1 each	5,000	5,000

17. UNDISTRIBUTABLE RESERVE

	2003 £000	2002 £000
Special capital reserve	7	7

18. PROFIT AND LOSS ACCOUNT

	2003 £000	2002 £000
1 January	(3,067)	9,183
Retained loss for the year	(4,696)	(12,250)
31 December	(7,763)	(3,067)

19. PENSIONS

The staff employed by the Company are members of the Willis Pension Scheme in the United Kingdom ("the Scheme), which is funded externally and is of the defined benefit type. The pension cost is assessed in accordance with the advice of professionally qualified actuaries using the projected unit credit method.

The Group continues to follow SSAP 24 in accounting for pension costs. However, the most recent actuarial valuation of the Scheme was at 31 December 2001. The most recent actuarial valuation has been reviewed and updated as at 31 December 2003 to take account of the requirements of FRS17 "Retirement Benefits", in order to assess the liabilities of the Scheme at 31 December 2003.

The directors consider that the share of the Scheme's underlying assets and liabilities attributable to the Company's employees cannot be separately identified. The net pension liability, after related deferred tax at 30%, of £54.3 million at 31 December 2003 (£71.7 million at 31 December 2002). Company contribution rates increased from 11.5% to 14.1 % of pensionable earnings with effect from 1 January 2004. Full disclosures for the Scheme under FRS17 are included in the financial statements of TAI Limited.

20. COMMITMENTS

The Company had contracted for capital expenditure at 31 December 2003 of £3,308,000 (2002 : £1,800,000).

	Land & Buildings 2003 £000	Land & Buildings 2002 £000
Operating lease commitments		
Payments committed to be made within one year by the Company for leases expiring:		
in less than one year	12	63
between two and five years	147	2,787
after five years	1,503	1,522
	1,662	4,372
Payments committed to be made by the Company after one year:		
Between one and two years	3,630	3,639
Between two and three years	4,281	1,635
Between three and four years	4,272	1,621
Between four and five years	4,167	1,579
After five years	8,456	3,981
	24,806	12,455
Total operating lease commitments	26,468	16,827

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

21. CONTINGENT LIABILITIES

The Company has given guarantees and indemnities to bankers and other third parties amounting to £20,969 (31 December 2002 : £22,364).

Until 4 December 2003, when the term loans had been repaid and the revolving credit facility had been retired, the Company guaranteed on a joint and several basis the prompt and complete performance of a fellow subsidiary company in respect of these credit facilities made available to that company. As at 31 December 2002 these facilities amounted to $307.2 million (£190.8 million).

22. RELATED PARTY TRANSACTIONS

Financial Reporting Standard 8 exempts the reporting of transactions between Group companies in the financial statements of companies 90% or more of whose voting rights are controlled within the Group. The Company has taken advantage of this exemption.