

WILLIS GROUP SERVICES LIMITED

(formerly Willis Corroon Group Services Limited)

(Registered No. 1451456)

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2000

DIRECTORS

MP Chitty
T Colraine
M Wright

SECRETARY

TM Warren

REGISTERED OFFICE

Ten Trinity Square
London EC3P 3AX

AUDITORS

Deloitte & Touche
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR



DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2000

The directors present their report, together with the accounts, for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES AND PERFORMANCE REVIEW

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

The directors do not anticipate any change in the Company's activities.

RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation amounted to £3,007,000. The directors do not recommend the payment of a final dividend.

CHANGE OF NAME

The Company changed its name to Willis Group Services Limited on 17 April 2000.

DIRECTORS

The present directors of the Company are named on page 1, which forms part of this report.

The directors who held office on 31 December 2000 and whose interests are not reported in the accounts of a parent company had the following interests in the management ordinary shares of TA I Limited, the ultimate parent company, as recorded in the register kept for the purpose:

Director	Management ordinary shares of 10p each		Options over management ordinary shares of 10p each			
	1.1.2000 (or date of appointment)	31.12.2000	1.1.2000 (or date of appointment)	Granted	Exercised	31.12.2000
M Wright	70,000	70,000	200,000	-	-	200,000

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE ACCOUNTS

The directors are required to report on their responsibilities in relation to the preparation of accounts 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 accounts 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 accounts 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 accounting standards, which they consider to be applicable, have been followed;
- (c) it is appropriate to prepare the accounts 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 accounts comply with the Companies Act 1985 (as amended).

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

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2000 (continued)

AUDITORS

An Elective Resolution dispensing with the requirement to reappoint auditors annually was approved by shareholders at the Annual General Meeting in April 1992.

Deloitte & Touche are willing to continue in office and the directors have agreed to their so continuing.

By Order of the Board



TM Warren
Secretary

30 October 2001

Ten Trinity Square
London EC3P 3AX

AUDITORS' REPORT TO THE MEMBERS OF WILLIS GROUP SERVICES LIMITED

We have audited the financial statements on pages 5 to 14 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 2 the Company's directors are responsible for the preparation of the financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of 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 affairs of the Company as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors

Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

31 October 2001

WILLIS GROUP SERVICES LIMITED
 (formerly Willis Corroon Group Services Limited)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2000

	Note	2000 £000	1999 £000
Turnover		75,400	88,219
Interest and investment income	3	1,760	1,274
OPERATING REVENUE		77,160	89,493
Operating expenses		66,171	78,830
OPERATING PROFIT	4	10,989	10,663
Profit / (Loss) on disposal of tangible fixed assets		331	(1,234)
Interest payable	5	12,911	7,995
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,591)	1,434
Tax on (loss) / profit on ordinary activities	8	(4,598)	(617)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,007	2,051
RETAINED PROFIT FOR THE FINANCIAL YEAR	18	3,007	2,051

All activities derive from continuing operations.

RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2000

There are no recognised gains or losses other than the profit attributable to shareholders of the Company of £3,007,000 in the year ended 31 December 2000 and of £2,051,000 in the year ended 31 December 1999.

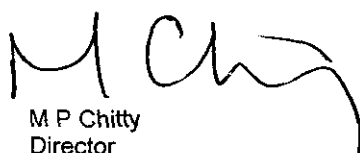
WILLIS GROUP SERVICES LIMITED
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BALANCE SHEET AS AT 31 DECEMBER 2000

	Note	2000 £000	1999 £000
FIXED ASSETS			
Tangible assets	9	88,693	94,792
CURRENT ASSETS			
Debtors	11	169,649	200,732
Deposits and cash		<u>7,587</u>	<u>-</u>
		177,236	200,732
CURRENT LIABILITIES			
CREDITORS : amounts falling due within one year	12	<u>245,013</u>	<u>275,604</u>
NET CURRENT LIABILITIES		<u>(67,777)</u>	<u>(74,872)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		20,916	19,920
CREDITORS : amounts falling due after more than one year	13	7	9
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>11,081</u>	<u>13,090</u>
		<u>9,828</u>	<u>6,821</u>
CAPITAL AND RESERVES			
Called up share capital	16	5,000	5,000
Undistributable reserve	17	7	7
Profit and loss account	18	<u>4,821</u>	<u>1,814</u>
EQUITY SHAREHOLDERS' FUNDS		<u>9,828</u>	<u>6,821</u>

Approved on behalf of the Board on 30 October 2001.


M P Chitty
Director

WILLIS GROUP SERVICES LIMITED

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**MOVEMENT IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2000**

	2000 £000	1999 £000
Profit for the financial year	3,007	2,051
Shareholders' funds at 1 January	6,821	4,770
Shareholders' funds at 31 December	<u>9,828</u>	<u>6,821</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000**1. ULTIMATE PARENT COMPANY**

The Company is a wholly-owned subsidiary of Willis Faber Limited. The ultimate parent company is TA I Limited and the ultimate controlling party is KKR 1996 Overseas, Limited.

The largest group in which the results of the Company are consolidated is that headed by TA I Limited, with the smallest group being headed by Willis Group Limited. The consolidated accounts 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 accounts 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 into sterling at the rates of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

(d) 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. 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'.**(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 expected useful lives. The rates generally used are:

Motor vehicles	25 per cent per annum
Furniture & equipment	between 14 and 25 per cent per annum
Freehold buildings and long leaseholds	2 per cent per annum
Short leasehold	Period of lease
Freehold land	No depreciation charged

(f) Deferred taxation

Deferred tax assets and liabilities are accounted for using the liability method for all timing differences to the extent that it is probable that an asset or liability will crystallise.

No provision is made for tax that would be payable on the disposal of revalued properties until it is decided in principle to dispose of the assets.

(g) Pensions

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.

(h) Cashflow Statement

Under FRS1 the Company is exempt from the requirement to prepare a cashflow statement on the grounds that it is prepared at Group level.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000 (continued)

2. ACCOUNTING POLICIES (continued)

(i) Leased assets

Assets held under leasing arrangements, which transfer substantially all the risks and rewards of ownership to the Company, are included in tangible assets as finance leases. The capital element of the related rental obligations is included in creditors. The interest element of the rental obligations is charged to the profit and loss account so as to produce a constant periodic rate of charge. Income from finance lease contracts, being the excess of total rentals received over the cost of the net investment in finance leasing contracts, is credited to the profit and loss account to give a constant periodic rate of return on the net cash investment. Assets under finance leases are stated in the balance sheet as debtors at the total of rentals receivable less profit allocated to future periods. Rentals payable and receivable in respect of all other leasing arrangements are treated as operating leases and charged/credited to the profit and loss account as incurred.

3.	INTEREST AND INVESTMENT INCOME	2000 £000	1999 £000
	Interest receivable	1,690	1,195
	Interest receivable from group undertakings	70	79
		<u>1,760</u>	<u>1,274</u>
4.	OPERATING PROFIT	2000 £000	1999 £000
	Operating profit was arrived at after charging/(crediting):		
	Auditors remuneration :		
	Audit fees	26	26
	Depreciation on :		
	Owned assets	11,842	12,885
	Finance leased assets	-	42
		<u>11,842</u>	<u>12,927</u>
	Operating lease rentals:		
	Land and buildings	5,192	4,969
		<u>5,192</u>	<u>4,969</u>
	Rental income	<u>(2,604)</u>	<u>(1,776)</u>
5.	INTEREST PAYABLE	2000 £000	1999 £000
	Bank loans, overdrafts and other loans repayable within five years	1,326	214
	Interest payable to group undertakings	11,585	7,781
		<u>12,911</u>	<u>7,995</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000 (continued)

6.	EMPLOYEES	2000 £000	1999 £000
	Employee costs net of amounts reimbursed by fellow subsidiary undertakings during the year consisted of :		
	Salaries	23,183	17,478
	Social security costs	1,610	1,421
	Other pension costs	1,503	1,323
		<u>26,296</u>	<u>20,222</u>
		2000 Number	1999 Number
	Number of employees - average for the year	496	504
	The staff working for the Company are employed by other subsidiary undertakings of TAI 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.		
7.	DIRECTORS' EMOLUMENTS	2000 £000	1999 £000
	Remuneration, excluding pension contributions and long term incentive awards	340	366
	Benefits	16	16
		<u>356</u>	<u>382</u>
	Highest paid director :		
	Emoluments (excluding pension contributions and long term incentive awards)	198	205
	Accrued annual pension	8	6
		2000 Number	1999 Number
	Directors exercising share options	1	-
	Directors receiving shares under Long Term Incentive Plans	-	-
	Directors eligible for defined benefit pension schemes	2	2
8.	TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES	2000 £000	1999 £000
	(Credit) / Charge for the year:		
	Current tax on income for the period@ 30% (1999: 30.25%)	(4,596)	2,752
	Adjustments in respect of prior periods	-	(370)
		<u>(4,596)</u>	<u>2,382</u>
	Deferred taxation (note 15)	(2)	(2,999)
		<u>(4,598)</u>	<u>(617)</u>

The difference between the statutory rate of tax and the effective rate of tax is due to the utilisation of provisions not previously recognised for tax relief and £12.4m foreign exchange gains falling outside the scope of tax by virtue of Finance Act 1993 & SI 1994 No 3226. (1999: The difference between the statutory rate of tax and the effective rate of tax is due to the utilisation of provisions not previously recognised for tax relief).

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000 (continued)

9. TANGIBLE ASSETS

	Land and buildings £000	Furniture equipment and vehicles £000	Total £000
Cost or valuation:			
1 January 2000	81,186	65,946	147,132
Additions	661	8,119	8,780
Disposals	(585)	(7,471)	(8,056)
31 December 2000	81,262	66,594	147,856
Depreciation :			
1 January 2000	14,598	37,742	52,340
Provision for year	3,612	8,230	11,842
Disposals	(191)	(4,828)	(5,019)
31 December 2000	18,019	41,144	59,163
Net book value 31 December 2000	63,243	25,450	88,693
Net book value 31 December 1999	66,588	28,204	94,792

10. SHARES IN SUBSIDIARY UNDERTAKINGS

	2000 £000	1999 £000
Cost		
1 January	-	-
Additions	-	4,259
Disposals	-	(4,259)
31 December	-	-

During 2000 a resolution was passed to place Stewart Wrightson Management Services Limited into Members' voluntary liquidation.

The principal subsidiary undertakings at 31 December 2000 were:

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

All subsidiary undertakings were incorporated in England & Wales except where stated. The Company is exempt from the obligation to prepare Group accounts in accordance with Section 228 of the Companies Act 1985 (as amended) as the Company is a wholly-owned subsidiary of Willis Group Limited, in whose accounts it is consolidated. These accounts 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 2000 (continued)

11.	DEBTORS	2000	1999	
		£000	£000	
	Due within one year :			
	Amounts owed by group undertakings	159,552	172,800	
	Corporation tax	5,010	-	
	Other debtors	4,627	7,424	
		<u>169,189</u>	<u>180,224</u>	
	Due after more than one year :			
	Amounts owed by group undertakings	460	20,508	
		<u>169,649</u>	<u>200,732</u>	
	Total rentals received during the year in respect of finance leases	-	62	
12.	CREDITORS : amounts falling due within one year	2000	1999	
		£000	£000	
	Bank loans and overdrafts	-	275	
	Amounts owed to group undertakings	220,765	253,605	
	Income tax and social security	4,215	4,473	
	Corporation tax	-	1,726	
	Accruals and deferred income	2,827	2,535	
	Other creditors	17,206	12,990	
		<u>245,013</u>	<u>275,604</u>	
13.	CREDITORS : amounts falling due after more than one year	2000	1999	
		£000	£000	
	Deferred tax (see note 15)	7	9	
14.	PROVISIONS FOR LIABILITIES AND CHARGES	Exceptional restructuring costs £000	Errors and omissions £000	Total £000
	1 January	12,795	295	13,090
	Profit and loss account movements	720	2,455	3,175
	Used in year	(2,648)	(2,536)	(5,184)
	31 December	<u>10,867</u>	<u>214</u>	<u>11,081</u>
15.	DEFERRED TAX	2000	1999	
		£000	£000	
	1 January	(9)	(3,008)	
	Transfer to profit and loss account	2	3,206	
	Current year provision	-	(207)	
	31 December	<u>(7)</u>	<u>(9)</u>	
	Deferred tax has been provided in full in respect of liabilities arising from the following timing differences:			
	Capital allowances	(7)	(9)	
16.	CALLED UP SHARE CAPITAL	2000	1999	
		£000	£000	
	Authorised, allotted, issued and fully paid: 5,000,000 ordinary shares of £1 each	5,000	5,000	

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000 (continued)

17.	UNDISTRIBUTABLE RESERVE	2000 £000	1999 £000
	Special capital reserve	7	7
18.	PROFIT AND LOSS ACCOUNT	2000 £000	1999 £000
	1 January	1,814	(95,230)
	Transfer to share capital	-	94,993
	Retained earnings	3,007	2,051
	31 December	4,821	1,814

19. CONTINGENT LIABILITIES

The Company has given guarantees and indemnities to bankers and other third parties amounting to £28,713 (1999: £6,888).

The Company has guaranteed on a joint and several basis the prompt and complete performance of a fellow subsidiary company in respect of credit facilities ("facilities") made available to that company. As at 31 December 2000 these facilities amounted to \$557.5 million.

20. CAPITAL COMMITMENTS

The Company had contracted for capital expenditure at 31 December 2000 of £2,763,200 (1999: £1,632,800).

	Land & Building	
	2000	1999
	£000	£000
Operating lease commitments		
Payments committed to be made within one year by the Company for leases expiring:		
In less than one year	-	-
Between two and five years	2,565	2,787
After five years	1,535	1,530
	4,100	4,317
Payments committed to be made by the Company:		
Between two and five years	9,904	13,035
After five years	6,166	7,667
	16,070	20,702
Total operating lease commitments	20,170	25,019

21. RELATED PARTY TRANSACTIONS

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2000 (continued)**22. SUBSEQUENT EVENTS**

Willis Group Holdings Limited was incorporated on 8 February 2001 as an exempted company under The Companies Act 1981 of Bermuda, for the sole purpose of redomiciling TA I Limited ("TA I") from the United Kingdom to Bermuda. On incorporation, Willis Group Holdings Limited was wholly-owned by Profit Sharing (Overseas), Limited Partnership, an affiliate of KKR.

Willis Group Holdings Limited, effective from 8 May 2001, exchanged its common shares for all the issued and outstanding ordinary shares of TA I. Further, on 10 April 2001, Willis Group Holdings Limited made an offer to exchange one of its non-voting management common shares for each outstanding non-voting management ordinary share of TA I. The offer expired on 8 May 2001, and at expiration, Willis Group Holdings Limited had received acceptances in respect of, or otherwise has rights to acquire, 99.8% of the outstanding non-voting management ordinary shares of TA I. As a consequence of these transactions, Willis Group Holdings Limited became the beneficial owner of 99.98% of TA I's issued and outstanding share capital.