WILLIS GROUP SERVICES LIMITED

(formerly Willis Corroon Group Services Limited)
(Registered No. 1451456)

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1999

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 1999

The directors present their report, together with the accounts, for the year ended 31 December 1999.

PRINCIPAL ACTIVITIES

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.

CAPITAL REDUCTION

During the year the Company received court approval to reduce its share capital by £95,000,000 to offset accumulated losses from previous years (Note 16).

RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation amounted to £2,051,000. 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 1999 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
	1.1.99	31.12.99	
MP Chitty	12,000	12,000	138,000
M Wright	70,000	70,000	200,000

No options were granted or exercised during the year.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999 (continued)

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 15 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.

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 who were appointed in place of Ernst & Young during the year, are willing to continue in office and the directors have agreed to their so continuing.

By Order of the Board

TM Warren
Secretary

23 November 2000

Ten Trinity Square
London EC3P 3AX

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

We have audited the accounts on pages 5 to 15 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors
As described on page 3 the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion
We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion
In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 December 1999 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

24 November 2000

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1999

	Note	1999 £000	1998 £000
Turnover		88,219	80,341
Interest and investment income	3	1,274	720
OPERATING REVENUE		89,493	81,061
Operating expenses		78,830	72,611
OPERATING PROFIT	4	10,663	8,450
(Loss) / Profit on disposal of tangible fixed assets		(1,234)	32
Interest payable	5	7,995	7,741
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,434	741
Tax on profit on ordinary activities	8	(617)	7,524
PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		2,051	(6,783)
RETAINED EARNINGS / (LOSS)	18	2,051	(6,783)

All activities derive from continuing operations.

RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 1999

There are no recognised gains or losses other than the profit attributable to shareholders of the Company of £2,051,000 in the year ended 31 December 1999 and the loss of £6,783,000 in the year ended 31 December 1998.

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

BALANCE SHEET AT 31 DECEMBER 1999

	Note	1999 £000	1998 £000
FIXED ASSETS			
Tangible assets	9	94,792	100,521
CURRENT ASSETS			
Debtors	11	200,732	240,409
CURRENT LIABILITIES			
CREDITORS : amounts falling due within one year	12	275,604	315,058
NET CURRENT LIABILITIES		(74,872)	(74,649)
TOTAL ASSETS LESS CURRENT LIABILITIES		19,920	25,872
CREDITORS : amounts falling due after more than one year	13	9	3,008
PROVISIONS FOR LIABILITIES AND CHARGES	14	13,090	18,094
		6,821	4,770
CAPITAL AND RESERVES			
Called up share capital	16	5,000	100,000
Undistributable reserve	17	7	-
Profit and loss account	18	1,814	(95,230)
EQUITY SHAREHOLDERS' FUNDS		6,821	4,770

Approved on behalf of the Board on 23 November 2000.

M P Chitty
Director

WILLIS GROUP SERVICES LIMITED

(formerly Willis Corroon Group Services Limited)

MOVEMENT IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1999

	1999 £000	1998 £000
Earnings for the financial year	2,051	(6,783)
Shareholders' funds at 1 January	4,770	11,553
Shareholders' funds at 31 December	6,821	4,770

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1999

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 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. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date.

(d) 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

(e) Deferred taxation
Provision for deferred taxation is made using the liability method for all timing differences to the extent that it is probable that a 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.

(f) 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.

2. ACCOUNTING POLICIES (continued)

(g) 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

	1999 £000	1998 £000
Interest receivable	1,195	487
Interest receivable from group undertakings	79	233
	1,274	720

4. OPERATING PROFIT

	1999 £000	1998 £000
Operating profit was arrived at after charging/(crediting):		
Auditors remuneration :		
Audit fees	26	35
Depreciation on :		
Owned assets	12,885	12,253
Finance leased assets	42	509
	12,927	12,762
Operating lease rentals:		
Land and buildings	4,969	4,849
Equipment	-	196
	4,969	5,045
Rental income	(1,776)	(1,718)

5. INTEREST PAYABLE

	1999 £000	1998 £000
Bank loans, overdrafts and other loans repayable within five years	214	244
Interest payable to group undertakings	7,781	7,497
	7,995	7,741

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1999 (continued)

6. EMPLOYEES

	1999 £000	1998 £000
Employee costs net of amounts reimbursed by fellow subsidiary undertakings during the year consisted of :		
Salaries	18,995	19,823
Social security costs	1,421	1,275
Other pension costs	1,323	1,156
	21,739	22,254

	1999 Number	1998 Number
Number of employees - average for the year	504	481

The staff working for the Company are employed by other subsidiary undertakings of TA I 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

	1999 £000	1998 £000
Remuneration, excluding pension contributions and long term incentive awards	366	440
Benefits	16	22
	382	462
Highest paid director :		
Emoluments (excluding pension contributions and long term incentive award)	205	192
Accrued annual pension	6	46

	1999 Number	1998 Number
Directors exercising share options	-	2*
Directors receiving shares under Long Term Incentive Plans	-	1*
Directors eligible for defined benefit pension schemes	2	3

* This figure includes the highest paid director.

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £000	1998 £000
Charge for the year:		
UK corporation tax @ 30.25% (1998: 31%)	2,752	419
Deferred taxation (note 15)	(2,999)	7,105
	(247)	7,524
Corporation tax over-provided in previous years	(370)	-
	(617)	7,524

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. (1998: The difference between the statutory rate of tax and the effective rate of tax is mainly attributable to disallowable expenses and depreciation charged on fixed assets ineligible for capital allowances.)

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1999 (continued)

9. TANGIBLE ASSETS

	Land and buildings £000	Furniture equipment and vehicles £000	Total £000
Cost or valuation:			
1 January 1999	84,756	93,786	178,542
Additions	1,485	11,934	13,419
Disposals	(5,055)	(39,828)	(44,883)
Inter-company transfers	-	6	6
Re-classification of assets	-	48	48
31 December 1999	81,186	65,946	147,132
Depreciation :			
1 January 1999	12,952	65,069	78,021
Provision for year	3,648	9,279	12,927
Disposals	(2,002)	(36,606)	(38,608)
31 December 1999	14,598	37,742	52,340
Net book value 31 December 1999	66,588	28,204	94,792
Net book value 31 December 1998	71,804	28,717	100,521

	1999 £000	1998 £000
Net book value of land and buildings:		
Freehold : Land	16,893	17,018
Buildings	44,251	48,418
Leasehold: Long	13	13
Short	5,431	6,355
	66,588	71,804

The net book value of assets held under finance leases included within furniture, equipment and vehicles was £nil (1998: £42,000).

Certain freehold properties were re-valued to £60,450,000 their open market value for existing use on 31 December 1995.

On the historical cost basis, these freehold properties would have been included as follows:

	1999 £000
Cost :	
At 1 January 1999 and 31 December 1999	103,230
Cumulative depreciation based on cost :	
At 1 January 1999	17,881
At 31 December 1999	19,029

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1999 (continued)

10. SHARES IN SUBSIDIARY UNDERTAKINGS

		1999 £000	1998 £000
Cost			
1 January		-	97
Additions	(a)	4,259	-
Disposals	(b)	(4,259)	-
31 December		-	97
Provisions			
Provisions for year		-	(97)
31 December		-	(97)
Net book value 31 December		-	-

The principal subsidiary undertakings at 31 December 1999 were:

	Class of Share	Percentage of share capital held
Willis Corroon Nominees Limited	Ordinary of £1 each	100%
Stewart Wrightson Management Services Limited	Ordinary of £1 each	100%

The Company is exempt from the obligation to prepare Group accounts in accordance with Section 228 of the Companies Act l985 (as amended) as the Company is a wholly-owned subsidiary of TA I 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 not less than the amount shown in the Balance Sheet.

(a) Additions:
On 30 June 1999 the Company purchased Global Special Risks, Inc. for £4,259,000 ($6,900,000 @ $1.62) from a fellow subsidiary, Willis Europe BV.

(b) Disposals:
On 30 June 1999 the Company sold Global Special Risks, Inc. for £4,259,000 ($6,900,000 @ $1.62) to a fellow group undertaking, Willis Group Limited.

11. DEBTORS

	1999 £000	1998 (Restated) £000
Due within one year :		
Amounts owed by group undertakings	172,800	212,046
Corporate tax	-	55
Other debtors	7,424	7,645
Net investment in finance leases	-	155
	180,224	219,901
Due after more than one year :		
Amounts owed by group undertakings	20,508	20,508
	200,732	240,409
Net investment in finance leases comprises:		
Total lease payments receivable	-	57
Total rentals received during the year in respect of finance leases	62	121

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1999 (continued)

12. CREDITORS : amounts falling due within one year

	1999 £000	1998 (Restated) £000
Bank loans and overdrafts	275	595
Amounts owed to group undertakings	253,605	288,279
Income tax and social security	4,473	4,367
Corporate tax	1,726	-
Accruals and deferred income	2,535	2,343
Other creditors	12,990	19,474
	275,604	315,058

13. CREDITORS : amounts falling due after more than one year

	1999 £000	1998 £000
Deferred tax (see note 15)	9	3,008

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Exceptional restructuring costs £000	Errors and omissions £000	Total £000
1 January	17,123	971	18,094
Profit and loss account movements	(250)	804	554
Used in year	(4,078)	(1,480)	(5,558)
31 December	12,795	295	13,090

The errors and omissions provisions comprise estimates for liabilities that may arise from actual and potential claims. In respect of movements arising during the year, £736,000 is recoverable from the Group's captive insurer. At 31 December 1999, the total amount recoverable from the Group's captive insurer was £268,000 (1998: £617,000).

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

As required under FRS 12 "Provisions, Contingent Liabilities and Contingent Assets", the Company has restated its 31 December 1998 balance sheet to reflect separately the gross provision for errors and omissions claims and the insurance recoverables in respect of those claims. The gross provision is shown under "Provisions for liabilities and charges" whereas previously the net provision was shown under "Creditors". Accordingly, the balance sheet has been restated as follows:

	1998 As previously disclosed £000	1998 (Restated) £000	Balance sheet effect £000
Amounts owed by group undertakings (note 11)	211,429	212,046	617
Other creditors (note 12)	19,828	19,474	354
Provisions for liabilities and charges (note 14)	-	(971)	(971)
Net effect			-

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1999 (continued)

15. DEFERRED TAX

	1999 £000	1998 £000
1 January	(3,008)	4,097
Transfer to profit and loss account	3,206	(8,077)
Current year provision	(207)	972
31 December	(9)	(3,008)

Deferred tax has been provided in full in respect of liabilities arising from the following timing differences:

Capital allowances	(9)	(3,008)

16. CALLED UP SHARE CAPITAL

	1999 £000	1998 £000
Authorised, allotted, issued and fully paid:		
5,000,000 ordinary shares of £1 each (1998: 100,000,000)	5,000	100,000

On 14 December 1999 the share capital of the Company was reduced from £100,000,000 to £5,000,000 by cancelling and extinguishing 95,000,000 ordinary shares of £1 each.

17. UNDISTRIBUTABLE RESERVE

	1999 £000	1998 £000
Special capital reserve	7	-

As part of the capital reduction exercise approved in 1999, the Company agreed and has credited £7,000 to a special capital reserve.

18. PROFIT AND LOSS ACCOUNT

	1999 £000	1998 £000
1 January	(95,230)	(88,447)
Transfer to share capital	94,993	-
Retained earnings / (loss)	2,051	(6,783)
31 December	1,814	(95,230)

19. CONTINGENT LIABILITIES

The Company has given guarantees and indemnities to bankers and other third parties amounting to £6,888 (1998: £7,032).

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 made available to that company. As at 31 December 1999 these facilities amounted to $1,137.5 million.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1999 (continued)

20. CAPITAL COMMITMENTS

The Company had contracted for capital expenditure at 31 December 1999 of £1,632,800 (1998: £3,192,500).

	Land & Building		Other	
	1999	1998	1999	1998
Operating lease commitments	£000	£000	£000	£000
Payments committed to be made within one year by the Company for leases expiring:				
in less than one year	-	2	-	169
Between two and five years	2,787	2,747	-	-
after five years	1,530	1,558	-	-
	4,317	4,307	-	169
Payments committed to be made by the Company:				
between one and two years	-	-	-	-
between two and five years	13,035	15,768	-	-
after five years	7,667	9,208	-	-
	20,702	24,976	-	-

21. 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.