WILLIS GROUP SERVICES LIMITED

(Registered No. 1451456)

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2001

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 2001

The directors present their report, together with the accounts, for the year ended 31 December 2001.

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.

As a consequence of the acceptance on 8 May 2001 by the shareholders of TA I Limited of the offer by Willis Group Holdings Limited to exchange on a one-for-one basis their shares in TA I Limited, Willis Group Holdings Limited became the Company's ultimate parent company.

RESULTS AND DIVIDENDS

The loss on ordinary activities after taxation amounted to £1,980,000 (2000 : £3,007,000 profit). The directors do not recommend the payment of a final dividend (2000 : £Nil).

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 2001 and whose interests are not reported in the accounts of a parent company had the following interests in the common shares of Willis Group Holdings Limited, the ultimate parent company, as reported in the register kept for the purpose.

Director	Common shares of $0.000115 each		Options over common shares of $0.000115 each			
	1.1.2001	31.12.2001	1.1.2001	Granted	Exercised	31.12.2001
M Wright	70,000	75,000	200,000	393	-	200,393

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 the system of internal controls taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2001 (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 have expressed a willingness to continue in office and the directors have agreed to their so continuing.

By Order of the Board

M P Chitty
Director

2 October 2002

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 2001 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.

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 2001 and of its loss 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
London

7 October 2002

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

	Note	2001 £000	2000 £000
Turnover		99,939	75,400
Interest and investment income	3	1,491	1,760
OPERATING REVENUE		101,430	77,160
Operating expenses		88,375	65,840
OPERATING PROFIT	4	13,055	11,320
Interest payable	5	12,364	12,911
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		691	(1,591)
Tax charge / (credit) on profit / (loss) on ordinary activities	8	2,671	(4,598)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(1,980)	3,007
RETAINED (LOSS) / PROFIT FOR THE FINANCIAL YEAR	18	(1,980)	3,007

All activities derive from continuing operations.

RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2001

There are no recognised gains or losses other than the loss attributable to shareholders of the Company of £1,980,000 in the year ended 31 December 2001 and the profit of £3,007,000 in the year ended 31 December 2000.

BALANCE SHEET AS AT 31 DECEMBER 2001

	Note	2001 £000	2000 £000
FIXED ASSETS			
Tangible assets	9	81,630	88,693
CURRENT ASSETS			
Debtors	11	350,108	169,649
Deposits and cash		4,647	7,587
		354,755	177,236
CURRENT LIABILITIES			
CREDITORS : amounts falling due within one year	12	418,938	245,013
NET CURRENT LIABILITIES		(64,183)	(67,777)
TOTAL ASSETS LESS CURRENT LIABILITIES		17,447	20,916
CREDITORS : amounts falling due after more than one year	13	7	7
PROVISIONS FOR LIABILITIES AND CHARGES	14	9,592	11,081
		7,848	9,828
CAPITAL AND RESERVES			
Called up share capital	16	5,000	5,000
Undistributable reserve	17	7	7
Profit and loss account	18	2,841	4,821
EQUITY SHAREHOLDERS' FUNDS		7,848	9,828

Approved on behalf of the Board on 2 October 2002.

T Colraine
Director

MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2001

	2001 £000	2000 £000
(Loss) / Profit for the financial year	(1,980)	3,007
Shareholders' funds at 1 January	9,828	6,821
Shareholders' funds at 31 December	7,848	9,828

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2001

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 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 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) 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 estimated useful economic lives. The rates generally used are:

Motor vehicles	25 per cent per annum
Furniture and 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 2001 (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 and are depreciated over the shorter of the period of the lease and the estimated useful economic lives of the assets. 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

	2001 £000	2000 £000
Interest receivable	1,452	1,690
Interest receivable from group undertakings	39	70
	1,491	1,760

4. OPERATING PROFIT

	2001 £000	2000 £000
Operating profit was arrived at after charging/(crediting):		
Depreciation on :		
Owned assets	10,758	11,842
Auditors' remuneration :		
Company audit fees	28	26
Operating lease rentals:		
Land and buildings	4,411	5,192
Rental income	(2,848)	(2,604)

5. INTEREST PAYABLE

	2001 £000	2000 £000
Interest payable to group undertakings	11,269	11,585
Other interest payable	1,095	1,326
	12,364	12,911

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2001 (continued)

6. EMPLOYEES

	2001 £000	2000 £000
Employee costs net of amounts reimbursed by fellow subsidiary undertakings during the year consisted of :		
Salaries	23,388	23,183
Social security costs	2,728	1,610
Other pension costs	1,752	1,503
	27,868	26,296

	2001 Number	2000 Number
Number of employees - average for the year	533	496

The staff working for the Company 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.

7. DIRECTORS' EMOLUMENTS

	2001 £000	2000 £000
Remuneration, excluding pension contributions and long term incentive awards	545	340
Benefits	16	16
	561	356
Highest paid director :		
Emoluments (excluding pension contributions and long term incentive awards)	299	198
Accrued annual pension	61	18

	2001 Number	2000 Number
Directors exercising share options	1	1
Directors eligible for defined benefit pension schemes	2	2

8. TAX CHARGE / (CREDIT) ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES

	2001 £000	2000 £000
UK corporation tax:		
Current tax on income for the period@ 30%	2,671	(4,596)
Deferred taxation (note 15)	-	(2)
	2,671	(4,598)

In the year ended 31 December 2001 the difference between the statutory rate of tax and the effective rate of tax is due to a net increase in provisions not currently being recognised for tax relief.

In the year ended 31 December 2000, 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 and SI 1994 No 3226.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2001 (continued)

9. TANGIBLE ASSETS

	Land and buildings £000	Furniture equipment and vehicles £000	Total £000
Cost or valuation:			
1 January 2001	81,262	66,594	147,856
Additions	2,549	5,361	7,910
Disposals	(441)	(20,295)	(20,736)
31 December 2001	83,370	51,660	135,030
Depreciation :			
1 January 2001	18,019	41,144	59,163
Provision for year	3,644	7,114	10,758
Disposals	(201)	(16,320)	(16,521)
31 December 2001	21,462	31,938	53,400
Net book value 31 December 2001	61,908	19,722	81,630
Net book value 31 December 2000	63,243	25,450	88,693

	2001 £000	2000 £000
Net book value of land and buildings:		
Freehold : Land	16,879	16,893
Buildings	40,823	41,568
Leasehold: Long	12	12
Short	4,194	4,770
	61,908	63,243

The transitional rules of FRS 15 'Tangible fixed assets' have been adopted for Group's 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 2001 was £57.3 million (2000 : £57.3 million), and the accumulated depreciation was £11.1 million (2000 : £9.1 million). On an historical cost basis these properties would be included at cost of £57.1 million (2000 : £57.1 million) less accumulated depreciation of £25.6 million (2000 : £23.7 million).

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2001 (continued)

10. SHARES IN SUBSIDIARY UNDERTAKINGS	2001 £000	2000 £000
Cost	-	-

On 8 August 2001 the Company purchased 100% interest in both Ropepath Limited and Sailgold Limited.

The principal subsidiary undertakings at 31 December 2001 were:

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

All subsidiary undertakings were registered 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 I985 (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 nil.

11. DEBTORS	2001 £000	2000 £000
Due within one year :		
Amounts owed by group undertakings	336,252	159,552
Corporation tax	-	5,010
Other debtors	13,396	4,627
	349,648	169,189
Due after more than one year :		
Amounts owed by group undertakings	460	460
	350,108	169,649

12. CREDITORS : amounts falling due within one year	2001 £000	2000 £000
Amounts owed to group undertakings	350,879	220,765
Income tax and social security	4,164	4,215
Corporate tax	4,675	-
Accruals and deferred income	10,922	2,827
Other creditors	48,298	17,206
	418,938	245,013

13. CREDITORS : amounts falling due after more than one year	2001 £000	2000 £000
Deferred tax (see note 15)	7	7

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2001 (continued)

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring costs £000	Errors and omissions £000	Total £000
1 January 2001	10,867	214	11,081
Profit and loss account movements	600	24	624
Used in year	(2,099)	(14)	(2,113)
31 December 2001	9,368	224	9,592

Errors & omissions provision :
Provision comprises estimates for liabilities that may arise from actual and potential claims for errors and omissions. In respect of movements arising during the year, £Nil is recoverable from the Group's captive insurer. At 31 December 2001, the total amount recoverable from the Group's captive insurer was £134,816 (2000 : £134,816).

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

15. DEFERRED TAX

	2001 £000	2000 £000
1 January	7	9
Transfer to profit and loss account	-	(2)
31 December	7	7

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

	2001 £000	2000 £000
Capital allowances	7	7

16. CALLED UP SHARE CAPITAL

	2001 £000	2000 £000
Authorised, allotted, issued and fully paid: 5,000,000 ordinary shares of £1 each	5,000	5,000

17. UNDISTRIBUTABLE RESERVE

	2001 £000	2000 £000
Special capital reserve	7	7

18. PROFIT AND LOSS ACCOUNT

	2001 £000	2000 £000
1 January	4,821	1,814
Retained (loss) / profit	(1,980)	3,007
31 December	2,841	4,821

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2001 (continued)

19. PENSIONS

The staff working for the Company are employed by other Group companies as disclosed in note 6. Those employing companies are members of the Willis Pension Scheme, which is funded externally and is of the defined benefit type. Pension contributions are based on pension costs across the Group as a whole. The pension cost is assessed in accordance with the advice of professionally qualified actuaries using the projected unit credit method. The latest valuation was at 31 December 1998, details of which are given in the accounts of Willis Group Holdings Limited.

Financial Reporting Standard No.17 'Retirement Benefits' ('FRS17') is effective for periods ending on or after 22 June 2003, with certain disclosures required for periods ending on or after 22 June 2001. The directors consider that the share of the Willis Pension Scheme's underlying assets and liabilities attributable to the staff working for the Company cannot be separately identified. The Willis Pension Scheme showed an overall surplus of £66.5 million based on the most recent valuation as at 31 December 1998. Full disclosures for the Willis Pension Scheme under FRS17 are included in the accounts of Willis Group Holdings Limited.

20. CONTINGENT LIABILITIES

The Company has given guarantees and indemnities to bankers and other third parties amounting to £28,979 (2000: £28,713).

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 2001 these facilities amounted to $498.0 million (31 December 2000 : $557.5 million).

21. CAPITAL COMMITMENTS

The Company had contracted for capital expenditure at 31 December 2001 of £1,447,900 (2000: £1,563,200).

	Land & Building	
	2001	2000
Operating lease commitments	£000	£000
Payments committed to be made within one year by the Company for leases expiring:		
In less than one year	30	-
Between two and five years	2,774	2,565
After five years	1,622	1,535
	4,426	4,100
Payments committed to be made by the Company:		
Between two and five years	11,241	9,904
After five years	5,560	6,166
	16,801	16,070
Total operating lease commitments	21,227	20,170

22. 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.