

**WILLIS GROUP SERVICES LIMITED**

(Registered No. 1451456)

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2004**

**DIRECTORS**

MP Chitty  
T Colraine

**SECRETARY**

SK Bryant

**REGISTERED OFFICE**

Ten Trinity Square  
London EC3P 3AX

**AUDITORS**

Deloitte & Touche LLP  
London



## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004**

The directors present their report, together with the financial statements, for the year ended 31 December 2004.

### **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 profit on ordinary activities after taxation amounted to £11,234,000 (2003: £4,696,000 loss).

### **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 (2003 : £Nil). The directors do not recommend the payment of a final dividend (2003 : £Nil).

### **DIRECTORS AND THEIR INTERESTS**

The present directors of the Company are named on page 1 which forms part of this report. M Wright resigned as a director of the Company with effect from 30 December 2004. The directors have no disclosable interests in the shares of the Company or of its fellow group companies. Advantage has been taken of the provisions of the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985.

### **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 statements 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 2004** (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 provision of section 386(2) of the Companies Act 1985.

By Order of the Board



SK Bryant  
Secretary

8 September 2005

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 2004 which comprise the profit and loss account, the balance sheet, the movement in shareholders' funds and the related notes 1 to 21. 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 2004 and of its profit 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

..... *3 October* ..... 2005

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004**

	Note	2004 £000	2003 £000
Turnover		93,568	110,549
<b>OPERATING REVENUE</b>		<b>93,568</b>	<b>110,549</b>
Operating expenses		69,482	108,533
<b>OPERATING PROFIT</b>	3	<b>24,086</b>	<b>2,016</b>
Interest and investment income	4	2,835	1,823
Interest payable	5	9,215	7,921
<b>PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>17,706</b>	<b>(4,082)</b>
Tax on profit/(loss) on ordinary activities	8	6,472	614
<b>PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>11,234</b>	<b>(4,696)</b>
<b>RETAINED PROFIT / (LOSS) FOR THE FINANCIAL YEAR</b>	17	<b>11,234</b>	<b>(4,696)</b>

All activities derive from continuing operations.

**RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2004**

There are no recognised gains or losses other than the profit attributable to shareholders of the Company of £11,234,000 in the year ended 31 December 2004 and the loss of £4,696,000 in the year ended 31 December 2003.

# WILLIS GROUP SERVICES LIMITED

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## BALANCE SHEET AS AT 31 DECEMBER 2004

	Note	2004 £000	2003 £000
<b>FIXED ASSETS</b>			
Tangible assets	9	86,544	87,456
<b>CURRENT ASSETS</b>			
Debtors:			
Amounts falling due within one year	11	560,785	386,856
Amounts falling due after one year	11	5,804	6,504
		<u>566,589</u>	<u>393,360</u>
Deposits and cash		11,439	10,210
		<u>578,028</u>	<u>403,570</u>
<b>CURRENT LIABILITIES</b>			
CREDITORS: amounts falling due within one year	13	650,993	486,869
NET CURRENT LIABILITIES		<u>(72,965)</u>	<u>(83,299)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		13,579	4,157
<b>PROVISION FOR LIABILITIES AND CHARGES</b>			
	14	5,101	6,913
NET ASSETS		<u>8,478</u>	<u>(2,756)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	5,000	5,000
Undistributable reserve	16	7	7
Profit and loss account	17	3,471	(7,763)
EQUITY SHAREHOLDERS' FUNDS / (DEFICIT)		<u>8,478</u>	<u>(2,756)</u>

The financial statements were approved by the Board of directors on ~~8 September~~ 8 September 2005 and signed on its behalf.



T Colraine  
Director

# WILLIS GROUP SERVICES LIMITED

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## MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2004

	2004 £000	2003 £000
Profit/(loss) for the financial year	11,234	(4,696)
Shareholders' (deficit) / funds at 1 January	(2,756)	1,940
Shareholders' funds / (deficit) at 31 December	<u>8,478</u>	<u>(2,756)</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

## 1. ULTIMATE PARENT COMPANY

The Company is a wholly-owned subsidiary of Willis Faber Limited. The Company's ultimate parent company is Willis Group Holdings Limited, a company incorporated in Bermuda, whose group financial statements are available from the Company Secretary, Ten Trinity Square, London EC3P 3AX.

Until 21 April 2004 the Company's ultimate controlling party was KKR 1996 Overseas, Limited which is 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 TAI 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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (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.

(j) 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	2004 £000	2003 £000
	Operating profit is stated after charging / (crediting):		
	Depreciation on and other amounts written off tangible and intangible fixed assets: Owned assets (note 9)	11,813	19,323
	Rentals under operating leases: Land and buildings	7,238	7,718
	Rental income	(2,849)	(2,623)

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

Auditors remuneration :		
Audit fees	700	433

The Company bore the audit fees of other UK group companies in the year ending 31 December 2004.

4.	INTEREST AND INVESTMENT INCOME	2004 £000	2003 £000
	Interest receivable	1,048	905
	Interest receivable from group undertakings	1,787	918
		2,835	1,823

5.	INTEREST PAYABLE	2004 £000	2003 £000
	Interest payable to group undertakings	7,795	6,862
	Other interest payable	1,420	1,059
		9,215	7,921

6.	EMPLOYEE COSTS	2004 £000	2003 £000
	Salaries	22,430	30,160
	Social security costs	3,039	2,842
	Other pension costs	2,110	1,636
		27,579	34,638

		2004 Number	2003 Number
Number of employees	- average for the period	576	570

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)

## 7. DIRECTORS' REMUNERATION

The directors received no remuneration for services rendered to the Company during the year (2003: £875,000)

## 8. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2004	2003
	£000	£000
(a) Analysis of charge for the year		
Current tax:		
UK corporation tax on profits / (losses) at 30%	5,755	1,351
Foreign tax on profits / (loss) for the year	17	-
Total current tax (note 8(b))	<u>5,772</u>	<u>1,351</u>
Deferred tax:		
Origination and reversal of timing differences	700	(2,099)
Adjustments to the estimated recoverable amount of deferred tax assets arising in previous periods	-	1,362
Total deferred tax (note 12)	<u>700</u>	<u>(737)</u>
Tax on profit/(loss) on ordinary activities	<u>6,472</u>	<u>614</u>
	2004	2003
	£000	£000
(b) Factors affecting tax charge for the year :		
The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
Profit / (loss) on ordinary activities before tax	<u>17,706</u>	<u>(4,082)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	5,312	(1,224)
Effects of:		
Expenses not deductible for tax purposes	1,160	476
Movement in short timing differences	(700)	(361)
Capital allowances for the year in excess of depreciation	-	2,460
Current tax charge for the year (note 8(a))	<u>5,772</u>	<u>1,351</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)

## 9. TANGIBLE FIXED ASSETS

	Land and buildings £000	Furniture, equipment, software and vehicles £000	Total £000
Cost or valuation:			
1 January 2004	85,975	74,738	160,713
Additions	2,806	10,511	13,317
Disposals	(644)	(13,128)	(13,772)
Inter-company transfers	5	768	773
31 December 2004	88,142	72,889	161,031
Depreciation :			
1 January 2004	27,803	45,454	73,257
Provision for the year	3,049	8,764	11,813
Disposals	(238)	(10,813)	(11,051)
Inter-company transfers	4	464	468
31 December 2004	30,618	43,869	74,487
Net book value 31 December 2004	57,524	29,020	86,544
Net book value 31 December 2003	58,172	29,284	87,456
		2004 £000	2003 £000
Net book value of land and buildings :			
Freehold : Land		16,879	16,879
Buildings		36,835	38,677
Leasehold : Short		3,810	2,616
31 December		57,524	58,172

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 2004 was £57.3 million (2003: £57.3 million), and the accumulated depreciation was £17.1 million (2003: £15.1 million). On an historical cost basis these properties would be included at cost of £57.1 million (2003: £57.1 million) less accumulated depreciation of £29.8 million (2003: £28.6 million).

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)

## 10. SHARES IN SUBSIDIARY UNDERTAKINGS

The principal subsidiary undertakings at 31 December 2004 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%

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 (2003 : £Nil).

11. DEBTORS	2004	2003
	£000	£000
Due within one year:		
Amounts owed by group undertakings	554,472	376,407
Other debtors	6,313	10,449
	<u>560,785</u>	<u>386,856</u>
Due after more than one year :		
Amounts owed by group undertakings	460	460
Deferred tax asset (see note 12)	5,344	6,044
	<u>5,804</u>	<u>6,504</u>
	<u>566,589</u>	<u>393,360</u>
12. DEFERRED TAX	2004	2003
	£000	£000
Deferred tax has been provided in full in respect of assets / liabilities arising from the following timing differences (note 11) :		
Capital allowances	2,351	2,351
Other provisions	2,993	3,693
	<u>5,344</u>	<u>6,044</u>
At 1 January	6,044	5,307
Deferred tax (charge) / credit in profit and loss account (note 8(a))	<u>(700)</u>	<u>737</u>
At 31 December	<u>5,344</u>	<u>6,044</u>
13. CREDITORS : amounts falling due within one year	2004	2003
	£000	£000
Amounts owed to group undertakings	590,218	439,403
Corporation tax	7,094	3,350
Income tax and social security	7,376	4,920
Other creditors	35,632	27,345
Accruals and deferred income	10,673	11,851
	<u>650,993</u>	<u>486,869</u>

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)

14. PROVISIONS FOR LIABILITIES AND CHARGES	Exceptional restructuring cost (a) £000	Errors and omissions (b) £000	Total £000
1 January 2004	6,853	60	6,913
Profit and loss account movements	1,341	190	1,531
Used in the year	(3,204)	(139)	(3,343)
31 December 2004	<u>4,990</u>	<u>111</u>	<u>5,101</u>

(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 2004, the total amount recoverable from the Group's captive insurer was £96,000 (2003 : £Nil).

15. CALLED UP SHARE CAPITAL	2004 £000	2003 £000
Authorised, allotted, issued and fully paid: 5,000,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
16. UNDISTRIBUTABLE RESERVE	2004 £000	2003 £000
Special capital reserve	<u>7</u>	<u>7</u>
17. PROFIT AND LOSS ACCOUNT	2004 £000	2003 £000
1 January	(7,763)	(3,067)
Retained profit / (loss) for the year	<u>11,234</u>	<u>(4,696)</u>
31 December	<u>3,471</u>	<u>(7,763)</u>
18. 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 continued to use SSAP 24 to account for pension costs in 2004.

The most recent actuarial valuation of the Scheme was at 31 December 2001 which has been reviewed and updated as at 31 December 2004 to take account of the requirements of FRS17 "Retirement Benefits", in order to assess the liabilities of the Scheme at 31 December 2004.

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 FRS 17 pension liability, after related deferred tax at 30%, was £81.8 million at 31 December 2004 (£54.3 million at 31 December 2003). Company contribution rates increased from 14.1% to 15.0% of pensionable earnings with effect from 1 January 2005. In addition, the Scheme became contributory for employed members who joined pre-1995 at the rate of 2% in 2005 and 4% in 2006 to bring their contributions in-line with employed members who joined post-1995.

Full disclosures for the Scheme under FRS17 are included in the financial statements of TAI Limited.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)

## 19. COMMITMENTS

The Company had contracted for capital expenditure at 31 December 2004 of £10,506,000 (2003 : £3,308,000).

	Land & Buildings		Total	2003
	Lime Street	Other		
	2004	2004	2004	£000
	£000	£000	£000	£000
Operating lease commitments				
Payments committed to be made within one year by the Company for leases expiring:				
in less than one year	-	289	289	12
Between two and five years	-	543	543	147
after five years	-	6,048	6,048	1,503
	-	6,880	6,880	1,662
Payments committed to be made by the Company after one year:				
Between one and two years	-	7,345	7,345	3,630
Between two and three years	31,000	7,161	38,161	4,281
Between three and four years	31,000	6,748	37,748	4,272
Between four and five years	31,000	6,713	37,713	4,167
After five years	684,000	12,490	696,490	8,456
	777,000	40,457	817,457	24,806
Total operating lease commitments	777,000	47,337	824,337	26,468

In November 2004, the Company entered into a 25 year agreement with long time client British Land plc relating to the Company's new headquarters in Lime Street, London. Construction is scheduled to commence in early 2005 and Willis occupancy is targeted for early 2008. The Company's contractual obligations in relation to this commitment are included in the table above, but remain contingent upon the successful completion of construction.

## 20. CONTINGENT LIABILITIES

The Company has given guarantees and indemnities to bankers and other third parties amounting to £19,957 (2003: £20,969).

## 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.