

**WILLIS JAPAN LIMITED**

(Registered No. 1689758)

**DIRECTORS' REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2001**

**DIRECTORS**

MP Chitty  
MDT Faber

**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 ACTIVITY AND PERFORMANCE REVIEW**

The Company is an intermediary assisting in Japanese retail insurance, international insurance and reinsurance activities. It has a Head Office in the UK and has established a branch office in Tokyo, Japan. The directors do not anticipate any change in the Company's position.

**RESULTS AND DIVIDENDS**

The loss on ordinary activities after taxation amounted to £43,000 (2000 : £17,000 profit). The directors do not recommend the payment of a 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 recorded in the register kept for the purpose.

Director	Common shares of \$0.000115 each		Options over common shares of \$0.000115 each			
	1.1.2001	31.12.2001	1.1.2001	Granted	Exercised	31.12.01
MDT Faber	80,000	106,200	138,000	393	18,000	120,393

**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 12 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.

**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 1991.

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

By Order of the Board

A handwritten signature in black ink, appearing to read 'TM Warren', with a horizontal line extending from the end of the signature.

TM Warren  
Secretary

10 July 2002  
Ten Trinity Square  
London EC3P 3AX

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WILLIS JAPAN LIMITED**

We have audited the financial statements of Willis Japan 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 19. 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.

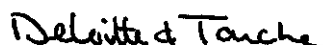
**Basis of audit opinion**

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  
Chartered Accountants and Registered Auditors

Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR

23 July 2002

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

	Note	2001 £000	2000 £000
Brokerage and fees	4	797	599
Other income	4	2,334	2,833
<b>OPERATING REVENUE</b>		<b>3,131</b>	<b>3,432</b>
Operating expenses		3,134	3,298
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	5	<b>(3)</b>	<b>134</b>
Tax on (loss)/profit on ordinary activities	8	40	117
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>(43)</b>	<b>17</b>
<b>RETAINED (LOSS)/PROFIT</b>	16	<b>(43)</b>	<b>17</b>

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 £43,000 in the year ended 31 December 2001 and profit of £17,000 in the year ended 31 December 2000.


# WILLIS JAPAN LIMITED

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## BALANCE SHEET AT 31 DECEMBER 2001

	Note	2001 £000	2000 (Restated) £000
<b>FIXED ASSETS</b>			
Tangible assets	9	70	94
<b>CURRENT ASSETS</b>			
Debtors	10	963	1,041
Investments	11	-	2
Deposits and cash		161	155
		<u>1,124</u>	<u>1,198</u>
<b>CURRENT LIABILITIES</b>			
CREDITORS : amounts falling due within one year	12	648	649
<b>NET CURRENT ASSETS</b>		<u>476</u>	<u>549</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>546</u>	<u>643</u>
CREDITORS : amounts falling due after more than one year	13	460	460
PROVISION FOR LIABILITIES AND CHARGES	14	95	149
		<u>(9)</u>	<u>34</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	1	1
Profit and loss account	16	(10)	33
<b>EQUITY SHAREHOLDERS' DEFICIT/FUNDS</b>		<u>(9)</u>	<u>34</u>

Approved on behalf of the Board on 10 July 2002.



MDT Faber  
Director

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

	2001 £000	2000 £000
(Loss)/profit for the financial year	(43)	17
Net movement in shareholders' funds for the year	(43)	17
Shareholders' funds at 1 January	34	17
Shareholders' deficit/funds at 31 December	(9)	34

## 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. FUTURE OPERATIONS

These accounts have been prepared on a going concern basis as an intermediate holding company of the Company has confirmed that financial support will be made available to meet its day to day trading obligations as they fall due.

## 3. ACCOUNTING POLICIES

## (a) Basis of preparation

These accounts have been prepared on a going concern basis under the historical cost convention and comply with accounting standards applicable in the United Kingdom.

## (b) Revenue recognition

The Company takes credit for brokerage and fee income at the date when the insured is debited or at the inception date of the policy, whichever is the later.

## (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. Differences arising from trading activities are dealt with in the profit and loss account.

## (d) Depreciation

Depreciation is calculated on a reducing balance basis at rates estimated to write down the value of assets, to a residual value of between 5% and 10% of cost, over their expected useful lives. Depreciation on leasehold improvements is provided at 14.2% per annum. Depreciation on furniture and equipment is provided at rates between 14.2% and 36.9% per annum.

## (e) Operating leases

Rentals payable in respect of operating leases are charged to the profit and loss account as incurred.

## (f) Pensions

## Japanese staff retirement allowance

The cost of providing post-retirement benefit is charged to the profit and loss account over the periods benefiting from the employees' services, based on the cumulative length of qualifying service of each employee.

## UK staff 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.

## (g) 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)

## 4. BROKERAGE AND FEES

The table below analyses the Company's brokerage and fees by the accounting address of the client from whom the business is derived. This does not necessarily reflect the original source or location of the business.

	2001 £000	2000 £000
Rest of the World	797	599

Other income which makes up all the income from UK and USA represents fees received from group undertakings as reimbursement for services performed on their behalf. Brokerage and fees which makes up all the income from Rest of the World represents income derived from insurance activities in Japan.

## 5. LOSS/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The (loss)/profit on ordinary activities before taxation was arrived at after charging:

	2001 £000	2000 £000
Auditors remuneration :		
Audit fees	3	3
Depreciation on :		
Long leasehold property	2	2
Owned assets	18	28
Operating lease rentals:		
Land and buildings	96	94

## 6. EMPLOYEES

Employee costs net of amounts reimbursed by fellow subsidiary undertakings during the year consisted of :

	2001 £000	2000 £000
Salaries	2,040	1,812
Social security costs	82	81
Pension costs	72	72
	2,194	1,965

	2001 Number	2000 Number
Number of employees - average for the year	18	16

Certain members of staff working for the Company in the United Kingdom 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' REMUNERATIONS

The directors of the Company received no remuneration for services rendered to the Company during the year (2000: nil)

## 8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £000	2000 £000
Charge for the year:		
UK corporation tax		
Current tax on income for the period at 30%	41	107
Double taxation relief	(1)	(16)
	40	91
Adjustments in respect of prior periods	(1)	4
	39	95
Foreign tax		
Current tax provided in period	1	22
	40	117

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

9. TANGIBLE ASSETS	Long leasehold property £000	Furniture and equipment £000	Total £000
Cost :			
1 January 2001	45	213	258
Additions	-	3	3
Disposals	-	(7)	(7)
31 December 2001	<u>45</u>	<u>209</u>	<u>254</u>
Depreciation :			
1 January 2001	33	131	164
Provision for year	2	18	20
31 December 2001	<u>35</u>	<u>149</u>	<u>184</u>
Net book value 31 December 2001	<u>10</u>	<u>60</u>	<u>70</u>
Net book value 31 December 2000	<u>12</u>	<u>82</u>	<u>94</u>
10. DEBTORS		2001	2000
		£000	Restated £000
Due within one year:			
Amounts owed by group undertakings		834	836
Other debtors		129	205
		<u>963</u>	<u>1,041</u>
11. INVESTMENTS		2001	2000
		£000	£000
Other current investments :			
Cost		91	91
Market value		<u>-</u>	<u>2</u>
This investment represents the membership of a Japanese golf club stated at market value, at the rate of exchange on 31 December.			
12. CREDITORS : amounts falling due within one year		2001	2000
		£000	£000
Corporate tax		60	110
Accruals and deferred income		588	539
		<u>648</u>	<u>649</u>
Included within accruals and deferred income is £294,176 (2000 : £241,823) in respect of an unfunded retirement allowance. The allowance is provided for officers and employees of the Tokyo branch based on length of service, standard monthly salary at date of termination and whether termination is voluntary or involuntary (involuntary termination is considered to occur upon mandatory retirement at the age of 60, death or certain other instances). The reserve for retirement allowance within accruals represents 100% of the aggregate liability computed under the assumption that all officers and employees involuntarily terminate at the balance sheet date.			
13. CREDITORS : amounts falling due after more than one year		2001	2000
		£000	£000
Amounts owed to group undertakings		<u>460</u>	<u>460</u>

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

14. PROVISIONS FOR LIABILITIES AND CHARGES	Property Provision
1 January 2001	149
Profit and loss account movements :	
Set up new provision	29
Release during the year	(79)
Foreign exchange movement	(4)
31 December 2001	95

The property provision represents amounts provided in respect of termination of a lease commitment.

As required under FRS12 "Provision, Contingent Liabilities and Contingent Assets", the Company have restated its 31 December 2000 balance sheet to reflect the Property Provision as a provision, rather than netting it off against a debtor under "other debtors" in note 10.

	2000 as previously disclosed £000	2000 (Restated) £000	Balance sheet effect £000
Other debtors (see note 10)	56	205	(149)
Provision for liability and charges	-	(149)	149
15. CALLED UP SHARE CAPITAL		2001 £000	2000 £000
Authorised, allotted, issued and fully paid: 1,000 ordinary shares of £1 each		1	1
16. PROFIT AND LOSS ACCOUNT		2001 £000	2000 £000
1 January		33	16
Retained (loss)/profit		(43)	17
31 December		(10)	33
17. PENSIONS			

Certain employees of the Company are eligible to be 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 Company's employees 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.

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

		Land & Buildings	
		2001	2000
		£000	£000
18.	COMMITMENTS		
	Operating lease commitments		
	Payments committed to be made within one year by the Company		
	for leases expiring:		
	After five years	102	93
		<hr/>	<hr/>

19. RELATED PARTY TRANSACTIONS

Financial Reporting Standard 8 exempts the reporting of transactions between Group companies. The Company has taken advantage of this exemption.