WILLIS GROUP SERVICES LIMITED

(Registered No. 1451456)

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2002

DIRECTORS

MP Chitty
T Colraine
M Wright

SECRETARY

TM Warren

REGISTERED OFFICE

Ten Trinity Square
London EC3P 3AX

AUDITORS

Deloitte & Touche LLP
London

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

The directors present their report, together with the accounts, for the year ended 31 December 2002.

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 loss on ordinary activities after taxation amounted to £9,409,000 (2001 : restated £215,000 loss).

FUTURE DEVELOPMENTS

The Company does not anticipate any changes to its business in the coming years.

DIVIDENDS

An interim dividend of £2,841,000 was paid on 22 November 2002 (2001 : £Nil). The directors do not recommend the payment of a final dividend (2001 : £Nil).

DIRECTORS AND THEIR INTERESTS

The present directors of the Company are named on page 1 which forms part of this report. All directors served throughout the year and there have been no changes since the year-end.

The directors who held office on 31 December 2002 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			
	1.1.2002	31.12.2002	1.1.2002	Granted	Exercised	31.12.2002
M Wright	75,000	90,720	200,393		14,320	186,073

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 applicable accounting standards 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).

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 2002 (continued)

AUDITORS

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. 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 provisions of section 386(2) of the Companies Act 1985.

By Order of the Board

TM Warren
Secretary

9 October 2003

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 2002 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the movement in shareholders' funds and the related notes 1 to 24. 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 2002 and of its loss 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

15 October 2003

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002 £000	2001 (Restated) £000
Turnover		93,142	99,939
Interest and investment income	3	837	1,491
OPERATING REVENUE		93,979	101,430
Operating expenses		97,703	88,375
OPERATING (LOSS) / PROFIT	4	(3,724)	13,055
Interest payable	5	8,216	12,364
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(11,940)	691
Tax (credit) / charge on (loss) / profit on ordinary activities	8	(2,531)	906
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(9,409)	(215)
Dividends paid	9	2,841	-
RETAINED LOSS FOR THE FINANCIAL YEAR	20	(12,250)	(215)

All activities derive from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2002

	2002 £000	2001 (Restated) £000
Loss for the financial year	(9,409)	(215)
Prior period adjustment	6,342	-
Total gains and losses recognised since last annual report	(3,067)	(215)

The cumulative effect of the restatement of the 31 December 2001 comparatives due to the change in accounting policy for deferred tax has increased retained profits after tax by £6,342,000 (£4,577,000 at 1 January 2001 with the additional £1,765,000 during 2001).

WILLIS GROUP SERVICES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2002

	Note	2002 £000	2001 (Restated) £000
FIXED ASSETS			
Tangible assets	10	86,080	81,630
CURRENT ASSETS			
Debtors:			
Amounts falling due within one year	12	396,658	349,648
Amounts falling due after one year	12	5,767	6,795
		402,425	356,443
Deposits and cash		1,092	4,647
		403,517	361,090
CURRENT LIABILITIES			
CREDITORS : amounts falling due within one year	15	478,955	418,938
NET CURRENT LIABILITIES		(75,438)	(57,848)
TOTAL ASSETS LESS CURRENT LIABILITIES		10,642	23,782
PROVISIONS FOR LIABILITIES AND CHARGES	17	8,702	9,592
		1,940	14,190
CAPITAL AND RESERVES			
Called up share capital	18	5,000	5,000
Undistributable reserve	19	7	7
Profit and loss account	20	(3,067)	9,183
EQUITY SHAREHOLDERS' FUNDS		1,940	14,190

These financial statements were approved by the Board of directors on 9 October 2003.

Signed on behalf of the Board of directors:

T Colraine
Director

MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2002

	2002 £000	2001 (Restated) £000
Shareholders' funds at 1 January, as previously stated	-	9,828
Prior year adjustment (see note 2(a))	-	4,577
Shareholders' funds at 1 January, as restated	14,190	14,405
Loss for the financial year	(9,409)	(215)
Dividends paid	(2,841)	-
Net movement in shareholders' funds for the year	(12,250)	(215)
Shareholders' funds at 31 December	1,940	14,190

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2002

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.

In preparing the financial statements for the current year the Company has adopted FRS 19 'Deferred Tax'. This has resulted in a change in accounting policy, as deferred tax is now recognised in accordance with the policy outlined below. Previously deferred tax was provided for on a partial provision basis, whereby provisions were made on all timing differences to the extent that they were expected to reverse in the future without replacement.

(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	2 per cent per annum
Short leaseholds	Period of lease
Freehold land	No depreciation charged

(f) 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 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.

(g) 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.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2002 (continued)

2. ACCOUNTING POLICIES (continued)

(h) 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.

(i) 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. INTEREST AND INVESTMENT INCOME	2002 £000	2001 £000
Interest receivable	817	1,452
Interest receivable from group undertakings	20	39
	837	1,491

4. OPERATING (LOSS) / PROFIT	2002 £000	2001 £000
Operating (loss) / profit is stated after charging / (crediting):		
Depreciation on and other amounts written off tangible and intangible fixed assets:		
Owned assets	10,164	10,758
Auditors remuneration :		
Audit fees	31	28
Rentals under operating leases:		
Land and buildings	4,670	4,411
Rental income	(3,676)	(2,848)

5. INTEREST PAYABLE	2002 £000	2001 £000
Interest payable to group undertakings	7,224	11,269
Other interest payable	992	1,095
	8,216	12,364

6. EMPLOYEE COSTS	2002 £000	2001 £000
Salaries	28,516	23,388
Social security costs	2,867	2,728
Other pension costs	1,866	1,752
	33,249	27,868

	2002 Number	2001 Number
Number of employees - average for the period (all administration staff)	561	533

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 ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2002 (continued)

7. DIRECTORS' REMUNERATION

	2002 £000	2001 £000
Emoluments (excluding pension contributions and long term incentive awards)	605	545
Benefits	16	16
	621	561

	2002 £000	2001 £000
Highest paid director :		
Emoluments (excluding pension contributions and long term incentive awards)	343	299
Accrued annual pension	14	61
	357	360

	2002 Number	2001 Number
Directors exercising share options	1	1
Directors eligible for defined benefit pension schemes	1	2

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

	2002 £000	2001 (Restated) £000
(a) Analysis of charge for the year		
Current tax:		
UK corporation tax on (losses)/profits of 30% (2001: 30%) (note 8(b))	(3,559)	2,671
Deferred tax:		
Origination and reversal of timing differences (note 13)	1,028	(1,765)
Tax on (loss)/profit on ordinary activities	(2,531)	906

	2002 £000	2001 £000
(b) Factors affecting tax (credit) / 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:		
(Loss)/profit on ordinary activities before tax	(11,940)	691
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	(3,582)	207
Effects of:		
Expenses not deductible for tax purposes	1,051	699
Movement in short term timing differences	(349)	1,188
Capital allowances for the year in excess of depreciation	(679)	577
Current tax charge for the year (note 8(a))	(3,559)	2,671

9. DIVIDENDS

	2002 £000	2001 £000
First Interim paid	2,841	-

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2002 (continued)

10. TANGIBLE ASSETS

	Land and buildings £000	Furniture, equipment, software and vehicles £000	Total £000
Cost or valuation:			
1 January 2002	83,370	51,660	135,030
Additions	3,067	13,316	16,383
Disposals	(347)	(5,614)	(5,961)
31 December 2002	86,090	59,362	145,452
Depreciation :			
1 January 2002	21,462	31,938	53,400
Provision for the year	3,506	6,658	10,164
Disposals	(322)	(3,870)	(4,192)
31 December 2002	24,646	34,726	59,372
Net book value 31 December 2002	61,444	24,636	86,080
Net book value 31 December 2001	61,908	19,722	81,630

		2002 £000	2001 £000
Net book value of land and buildings :			
Freehold :	Land	16,879	16,879
	Buildings	40,433	40,823
Leasehold :	Long	2	12
	Short	4,130	4,194
31 December 2002		61,444	61,908

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 2002 was £57.3 million (2001 : £57.3 million), before accumulated depreciation of £13.1 million (2001 : £11.1 million). On an historical cost basis these properties would be included at cost of £57.1 million (2001 : £57.1 million) less accumulated depreciation of £27.5 million (2001 : £25.6 million).

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

11. SHARES IN SUBSIDIARY UNDERTAKINGS

The principal subsidiary undertakings at 31 December 2002 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%

All subsidiary undertakings were incorporated in Great Britain 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 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.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2002 (continued)

12. DEBTORS

	2002 £000	2001 (Restated) £000
Due within one year:		
Amounts owed by Group undertakings	386,181	336,252
Corporate tax	1,560	-
Other debtors	8,917	13,396
	396,658	349,648
Due after more than one year :		
Amounts owed by Group undertakings	460	460
Deferred tax asset (see note 13)	5,307	6,335
	5,767	6,795
	402,425	356,443

13. DEFERRED TAX

	2002 £000	2001 (Restated) £000
Deferred tax has been provided in full in respect of assets / liabilities arising from the following timing differences (note 12):		
Capital allowances	(109)	570
Other provisions	5,416	5,765
	5,307	6,335
At 1 January	6,335	4,570
Deferred tax (debit) / credit in profit and loss account (note 8(a))	(1,028)	1,765
At 31 December	5,307	6,335

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.

14. RESTATEMENT OF COMPARATIVES

The adoption of FRS 19 ' Deferred Tax' has required the Company to recognise deferred tax under the full provision basis in accordance with the policy outlined above. As a result of this change in accounting policy the comparatives have been restated as follows: -

	Retained loss for year £000	Debtors £000	Creditors: amounts falling due after more than one year £000	Shareholders' funds £000
2001 as previously reported	(1,980)	350,108	(7)	7,848
Adoption of FRS 19	1,765	6,335	7	6,342
2001 as restated	(215)	356,443	-	14,190

15. CREDITORS : amounts falling due within one year

	2002 £000	2001 £000
Amounts owed to Group undertakings	415,347	350,879
Corporate tax	-	4,675
Income tax and social security	4,446	4,164
Other creditors	48,285	48,298
Accruals and deferred income	10,877	10,922
	478,955	418,938

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

	2002 £000	2001 (Restated) £000
Deferred tax (see note 14)	-	-

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2002 (continued)

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Exceptional restructuring cost (a) £000	Errors and omissions (b) £000	Total £000
1 January 2002	9,368	224	9,592
Profit and loss account movements	1,182	(27)	1,155
Used in the year	(2,045)	-	(2,045)
31 December 2002	8,505	197	8,702

(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 2002, the total amount recoverable from the Group's captive insurer was £134,816 (2001 : £134,816).

18. CALLED UP SHARE CAPITAL

	2002 £000	2001 £000
Authorised, allotted, issued and fully paid:		
5,000,000 ordinary shares of £1 each	5,000	5,000

19. UNDISTRIBUTABLE RESERVE

	2002 £000	2001 £000
Special capital reserve	7	7

20. PROFIT AND LOSS ACCOUNT

	2002 £000	2001 (Restated) £000
1 January, as previously stated	-	4,821
Prior year adjustment	-	4,577
1 January, as restated	9,183	9,398
Retained loss for the year	(12,250)	(215)
31 December	(3,067)	9,183

21. 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. Pension contributions are based on pension costs across the Group's UK companies as a whole. The pension cost is assessed in accordance with the advice of professionally qualified actuaries using the projected unit credit method.

The most recent actuarial valuation of the Scheme was at 31 December 2001. The most recent actuarial valuation has been reviewed and updated as at 31 December 2002 to take account of the requirements of FRS17 "Retirement Benefits", in order to assess the liabilities of the Scheme at 31 December 2002.

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 Scheme showed an overall deficit of £71.7 million at 31 December 2002 compared with an overall surplus of £66.5 million at 31 December 2001. Company contribution rates increased from 10% to 11.5 % of pensionable earnings with effect from 1 January 2003. Full disclosures for the Scheme under FRS17 are included in the accounts of Willis Group Limited.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2002 (continued)

22. COMMITMENTS

The Company had contracted for capital expenditure at 31 December 2002 of £1,799,700 (2001 : £1,447,900).

	Land & Buildings	
	2002	2001
	£000	£000
Operating lease commitments		
Payments committed to be made within one year by the Company for leases expiring:		
in less than one year	63	30
between two and five years	2,787	2,774
after five years	1,522	1,622
	4,372	4,426
Payments committed to be made by the Company after one year:		
Between one and two years	3,639	4,346
Between two and three years	1,635	3,639
Between three and four years	1,621	1,635
Between four and five years	1,579	1,621
After five years	3,981	5,560
	12,455	16,801
Total operating lease commitments	16,827	21,227

23. CONTINGENT LIABILITIES

The Company has given guarantees and indemnities to bankers and other third parties amounting to £22,364 (31 December 2001 : £28,979).

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 2002 these facilities amounted to $307.2 million (£190.8 million) (31 December 2001: $498.0 million (£343.4 million)).

24. 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.