WILLIS JAPAN LIMITED

(Registered No. 1689758)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

DIRECTORS

MP Chitty
MDT Faber

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 ACTIVITY AND REVIEW OF DEVELOPMENTS

The Company has a branch office in Tokyo, Japan, which assists in Japanese retail insurance, international insurance and reinsurance activities.

RESULTS

The loss on ordinary activities after taxation amounted to £3,000 (2003: £103,000 profit).

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. 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 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 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 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 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 provisions of section 386(2) of the Companies Act 1985.

By Order of the Board

SK Bryant
Secretary

23 September 2005
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 2004 which comprise the profit and loss account, the balance sheet, the movement in shareholders' funds and the related notes 1 to 18. 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 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 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

28 September 2005

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	2004 £000	2003 £000
Turnover		1,252	1,093
Other income		1,938	2,550
OPERATING REVENUE	3	3,190	3,643
Operating expenses		3,184	3,480
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	6	163
Tax on profit on ordinary activities	7	9	60
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(3)	103
RETAINED (LOSS)/PROFIT	15	(3)	103

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 loss attributable to shareholders of the Company of £3,000 in the year ended 31 December 2004 and profit of £103,000 in the year ended 31 December 2003, accordingly no statement of total recognised gains and losses is presented.

WILLIS JAPAN LIMITED

BALANCE SHEET AT 31 DECEMBER 2004

	Note	2004 £000	2003 £000
FIXED ASSETS			
Tangible assets	8	135	41
CURRENT ASSETS			
Debtors	9	1,005	1,052
Deposits and cash		385	229
		1,390	1,281
CURRENT LIABILITIES			
CREDITORS : amounts falling due within one year	11	836	601
NET CURRENT ASSETS		554	680
TOTAL ASSETS LESS CURRENT LIABILITIES		689	721
CREDITORS : amounts falling due after more than one year	12	460	460
PROVISION FOR LIABILITIES AND CHARGES	13	-	29
		229	232
CAPITAL AND RESERVES			
Called up share capital	14	1	1
Profit and loss account	15	228	231
EQUITY SHAREHOLDERS' FUNDS		229	232

These financial statements were approved by the Board of directors on 23.09 . 2005 and signed on its behalf.

Michael Faber

MDT Faber
Director

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

	2004 £000	2003 £000
(Loss)/profit for the financial year	(3)	103
Net movement in shareholders' funds for the year	(3)	103
Shareholders' funds at 1 January	232	129
Shareholders' funds at 31 December	229	232

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 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.

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 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 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
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. Monetary 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 their residual value, over their expected useful lives. The following depreciation rates have been used:

Leasehold Improvements	14.2% per annum
Furniture & Equipment	Between 14.2% and 36.9% per annum

(e) 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 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.

(f) Operating leases
Rentals payable in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

(g) Pensions
Japanese staff retirement allowance
The cost of providing benefit on retirement 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. Pension contributions charged to the Company are based on pension costs across the Group's United Kingdom companies as a whole.

(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.

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

3. OPERATING REVENUE

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.

	2004 £000	2003 £000
Rest of the World	1,252	1,093

Rest of the World represents income derived from insurance activities in Japan. 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.

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2004 £000	2003 £000
The profit on ordinary activities before taxation was arrived at after charging:		
Depreciation on :		
Leasehold property	6	1
Owned assets	16	20
Operating lease rentals:		
Land and buildings	92	92

The 2004 and 2003 audit fees were borne by another Group undertaking.

5. EMPLOYEE COSTS

	2004 £000	2003 £000
Employee costs during the year consisted of :		
Salaries	1,931	2,027
Social security costs	165	116
Pension costs	73	68
	2,169	2,211

	2004 Number	2003 Number
Number of employees - average for the year	30	28

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.

6. DIRECTORS' REMUNERATION

The directors of the Company received no remuneration for services rendered to the Company during the year (2003: £nil).

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004 £000	2003 £000
(a) Analysis of charge for the year:		
Current tax:		
UK corporation tax on profits at 30% (2003: 30%)	28	8
Adjustments in respect of prior periods	(12)	1
	16	9
Foreign tax on profits for the year	1	5
Total current tax (note 7(b))	17	14
Deferred tax:		
Origination and reversal of timing differences	(8)	46
Total deferred tax (note 10)	(8)	46
Tax on profit on ordinary activities	9	60

(b) Factors affecting tax charge for the year:

The tax assessed for the year is higher/lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004 £000	2003 £000
Profit on ordinary activities before tax	6	163
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	2	49
Effects of:		
Timing difference on pension provision	14	(51)
Expenses not deductible for tax purposes	18	5
Depreciation for the year in excess of capital allowances	(6)	5
Irrecoverable foreign tax	1	5
Adjustment to tax charge in respect of previous years	(12)	1
Current tax charge for the year (note 7(a))	17	14

(c) Factors that may affect future tax charges

In line with the stated accounting policy, the Group's future tax charges will continue to recognise deferred tax assets which have arisen from timing differences relating to the taxation of provisions.

8. TANGIBLE ASSETS

	Land and buildings £000	Furniture and equipment £000	Total £000
Cost :			
1 January 2004	45	204	249
Additions	69	63	132
Disposals	(45)	(70)	(115)
31 December 2004	69	197	266
Depreciation :			
1 January 2004	38	170	208
Provided in year	6	16	22
On disposal	(38)	(61)	(99)
31 December 2004	6	125	131
Net book value 31 December 2004	63	72	135
Net book value 31 December 2003	7	34	41

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

		2004	2003
8.	TANGIBLE ASSETS (continued)	£000	£000
	Net book value of land and buildings:		
	Leasehold : Long	-	7
	:Short	63	
	31 December	63	7

		2004	2003
9.	DEBTORS	£000	£000
	Due within one year:		
	Amounts owed by group undertakings	714	817
	Other debtors	218	170
		932	987
	Due after more than one year:		
	Deferred tax asset (see note 10)	73	65
		1,005	1,052

		2004	2003
10.	DEFERRED TAX	£000	£000
	The deferred tax included in the balance sheet is as follows:		
	Included in debtors (note 9)		
	Deferred tax consists of:		
	Timing differences on pension provision	74	60
	Timing differences on capital allowances	(1)	5
		73	65
	At 1 January	65	111
	Deferred tax credit/(debit) in profit and loss account (note 7(a))	8	(46)
	At 31 December	73	65

		2004	2003
11.	CREDITORS : amounts falling due within one year	£000	£000
	Amounts owed to group undertakings	303	-
	Corporate tax	49	29
	Accruals and deferred income	484	572
		836	601

Included within accruals and deferred income is £247,074 (2003: £200,772) 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.

		2004	2003
12.	CREDITORS : amounts falling due after more than one year	£000	£000
	Amounts owed to group undertakings	460	460

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

13. PROVISIONS FOR LIABILITIES AND CHARGES

	2004 £000	2003 £000
1 January 2004	29	29
Release during the year	(29)	-
31 December 2004	-	29

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

14. CALLED UP SHARE CAPITAL

	2004 £000	2003 £000
Authorised, allotted, issued and fully paid:		
1,000 ordinary shares of £1 each (2003: 1,000)	1	1

15. PROFIT AND LOSS ACCOUNT

	2004 £000	2003 £000
1 January	231	128
Retained profit for the year	(3)	103
31 December	228	231

16. PENSIONS

Certain members of staff working for the Company are eligible to be members of the Willis Pension 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 FRS17 pension liability, after related deferred tax at 30%, was $157.0 million (£81.8 million) at 31 December 2004 compared with a liability of $97.2 million (£54.3 million) at 31 December 2003. Company contribution rates increased from 14.1% to 15% of pensionable earnings with effect from 1 January 2005. Full disclosures for the Scheme under FRS17 are included in the accounts of TA I Limited.

17. COMMITMENTS

	Land & Buildings 2004 £000	Land & Buildings 2003 £000
Operating lease commitments		
Payments committed to be made within one year by the Company for leases expiring:		
in less than one year 01.01.05 to 31.12.05	111	-
between two and five years 01.01.06 to 30.04.06	37	-
After five years	-	94
Total operating lease commitments	148	94

18. RELATED PARTY TRANSACTIONS

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