# WILLIS FABER & DUMAS LIMITED

(Registered No. 162296)

# DIRECTORS' REPORT AND FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 DECEMBER 2003

**DIRECTORS**

MP Chitty
TM Warren

**SECRETARY**

TM Warren

**REGISTERED OFFICE**

Ten Trinity Square
London EC3P 3AX

**AUDITORS**

Deloitte & Touche LLP
London

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003**

The directors present their report, together with the financial statements, for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES AND REVIEW OF DEVELOPMENTS

The principal activity of the Company is that of a property holding company.

RESULTS

The loss on ordinary activities after taxation amounted to £6,000 (2002 : £20,000).

FUTURE DEVELOPMENTS

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

DIVIDENDS

No dividends were paid during the year (2002 : £Nil). The directors do not recommend the payment of a final dividend (2002 : £Nil).

DIRECTORS AND THEIR INTERESTS

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

The directors who held office on 31 December 2003 and whose interests are not reported in the financial statements 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 | | | |
|---|---|---|---|---|---|---|
| | 1.1.2003 | 31.12.2003 | 1.1.2003 | Granted | Exercised | 31.12.2003 |
| TM Warren | 100 | 100 | 373 | 98 | - | 471 |

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE ACCOUNTS

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 10 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 2003** (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

TM Warren
Secretary

17 September 2004

Ten Trinity Square
London EC3P 3AX

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WILLIS FABER AND DUMAS LIMITED

We have audited the financial statements of Willis Faber & Dumas Limited for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet, the movement in shareholders' funds and the related notes 1 to 16. 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 2003 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 Sept 2004

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

| | Note | 2003 £000 | 2002 £000 |
|---|---|---|---|
| Turnover | 3 | 53 | 47 |
| Operating expenses | | 43 | 45 |
| OPERATING PROFIT | 4 | 10 | 2 |
| Loss on disposal of tangible fixed assets | | - | 8 |
| PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION | | 10 | (6) |
| Tax charge on profit / (loss) on ordinary activities | 7 | 16 | 14 |
| LOSS ON ORDINARY ACTIVITIES AFTER TAXATION | | (6) | (20) |
| RETAINED LOSS FOR THE FINANCIAL YEAR | 14 | (6) | (20) |

All activities derive from continuing operations.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2003

There are no recognised gains or losses other than the loss attributable to shareholders of the Company of £6,000 in the year ended 31 December 2003 and of £20,000 in the year ended 31 December 2002.

# WILLIS FABER & DUMAS LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2003

| | Note | 2003 £000 | 2002 £000 |
|---|---|---|---|
| FIXED ASSETS | | | |
| Tangible assets | 8 | 68 | 111 |
| CURRENT ASSETS | | | |
| Debtors | 9 | 1,128 | 1,089 |
| CURRENT LIABILITIES | | | |
| CREDITORS : amounts falling due within one year | 11 | 26 | 24 |
| NET CURRENT ASSETS | | 1,102 | 1,065 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,170 | 1,176 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 12 | 1,000 | 1,000 |
| Share premium account | 13 | 157 | 157 |
| Profit and loss account | 14 | 13 | 19 |
| EQUITY SHAREHOLDERS' FUNDS | | 1,170 | 1,176 |

These financial statements were approved by the Board of directors on 17 September 2004 and signed on its behalf:

MP Chitty
Director

## MOVEMENT IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2003

| | 2003 £000 | 2002 £000 |
|---|---|---|
| Loss for the financial year | (6) | (20) |
| Net movement in shareholders' funds for the year | (6) | (20) |
| Shareholders' funds at 1 January | 1,176 | 1,196 |
| Shareholders' funds at 31 December | 1,170 | 1,176 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

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 TA I 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 and comply with accounting standards applicable in the United Kingdom.

(b) Tangible fixed assets
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.

(c) 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:

| | |
|---|---|
| Furniture and equipment | Between 10 and 25 per cent per annum |
| Long leaseholds | 2 per cent per annum. |
| Short leaseholds | Period of lease. |

(d) 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.

(e) 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.

3. TURNOVER

Turnover comprises recoveries for the use of fixed assets by Group undertakings and is all derived from the United Kingdom.

4. OPERATING PROFIT

| | 2003 £000 | 2002 £000 |
|---|---|---|
| Operating profit is stated after charging: | | |
| Depreciation on owned assets | 43 | 45 |

The audit fees were borne by another Group company in the years ending 31 December 2003 and 31 December 2002.

5. STAFF COSTS

The Company employed no staff during the year (2002: None).

6. DIRECTORS' REMUNERATION

The directors of the Company received no remuneration for services rendered to the Company during the year (2002: £Nil).

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003** (continued)

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 2003 | 2002 |
|---|---|---|
| (a) Analysis of charge for the year | £000 | £000 |
| Current tax: | | |
| UK corporation tax on profits at 30% (2002: 30%) | 16 | 14 |
| Tax on profit / (loss) on ordinary activities (note 7(b)) | 16 | 14 |

| | 2003 | 2002 |
|---|---|---|
| (b) Factors affecting tax charge for the year: | £000 | £000 |
| 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 | 10 | (6) |
| Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%) | 3 | (2) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 13 | 13 |
| Loss on disposal of fixed assets not deductible for tax purposes | - | 3 |
| Current tax charge for the year (note 7(a)) | 16 | 14 |

8. TANGIBLE ASSETS

| | Leasehold property £000 | Furniture & equipment £000 | Total £000 |
|---|---|---|---|
| Cost: | | | |
| 1 January 2003 | 843 | 44 | 887 |
| Disposals | (58) | - | (58) |
| 31 December 2003 | 785 | 44 | 829 |
| Depreciation : | | | |
| 1 January 2003 | 736 | 40 | 776 |
| Provision for the year | 39 | 4 | 43 |
| Disposals | (58) | - | (58) |
| 31 December 2003 | 717 | 44 | 761 |
| Net book value 31 December 2003 | 68 | - | 68 |
| Net book value 31 December 2002 | 107 | 4 | 111 |

9. DEBTORS

| | 2003 £000 | 2002 £000 |
|---|---|---|
| Due within one year: | | |
| Amounts owed by group undertakings | 1,121 | 1,082 |
| Due after more than one year : | | |
| Deferred tax asset (see note 10) | 7 | 7 |
| | 1,128 | 1,089 |

10. DEFERRED TAX

| | 2003 £000 | 2002 £000 |
|---|---|---|
| Deferred tax has been provided in full in respect of assets arising from the following timing differences (note 9): | | |
| Capital allowances | 7 | 7 |
| At 1 January and 31 December | 7 | 7 |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003** (continued)

| | | 2003 | 2002 |
|---|---|---|---|
| 11. | CREDITORS : amounts falling due within one year | £000 | £000 |
| | Corporation tax | 26 | 24 |

| | | 2003 | 2002 |
|---|---|---|---|
| 12. | CALLED UP SHARE CAPITAL | £000 | £000 |
| | Authorised, allotted, issued and fully paid: 1,000,000 ordinary shares of £1 each | 1,000 | 1,000 |

| | | 2003 | 2002 |
|---|---|---|---|
| 13. | SHARE PREMIUM | £000 | £000 |
| | 1 January and 31 December | 157 | 157 |

| | | 2003 | 2002 |
|---|---|---|---|
| 14. | PROFIT AND LOSS ACCOUNT | £000 | £000 |
| | 1 January | 19 | 39 |
| | Retained loss | (6) | (20) |
| | 31 December | 13 | 19 |

15. CONTINGENT LIABILITIES

Until 4 December 2003, when the term loans had been repaid and the revolving credit facility had been retired, the Company guaranteed on a joint and several basis the prompt and complete performance of a fellow subsidiary company in respect of these credit facilities made available to that company. As at 31 December 2002 these facilities amounted to $307.2 million (£190.8 million).

16. 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.