CLAIMS AND RECOVERY SERVICES LIMITED

(Registered No. 2909258)

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2002

DIRECTORS

ST Barton
MJ Smith
JR Whitwood

SECRETARY

TM Warren

REGISTERED OFFICE

15 Friars Street
Ipswich, Suffolk
IP1 1TA

AUDITORS

Deloitte & Touche LLP
London

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 operated as claims settling agent and pursued recovery cases against third parties under subrogation until 1 January 2002 when the Company ceased to accept new business with the run-off of the existing business being undertaken by its parent company and sold its subsidiary in Moscow. The Company has now closed its representative office in Kiev and branch office in Prague and is in the process of closing its representative office in Moscow.

RESULTS

The loss on ordinary activities after taxation amounted to £49,000 (2001: £306,000).

DIVIDENDS

The directors do not recommend the payment of a final dividend (2001 : £Nil).

DIRECTORS

The present directors of the Company are named on page 1, which forms part of this report. Messrs. MDT Faber, CP Parker, JP Winn and Ms SJ Turvill resigned as directors of the Company on 1 July 2002.

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
ST Barton	16,600	15,800	45,393	197	-	45,590
MJ Smith	-	-	314	157	-	471
JR Whitwood	-	-	118	197	-	315

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 11 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 ȧppropriate 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.

DIRECTOR'S 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

27 October 2003

15 Friars Street
Ipswich
Suffolk
IP1 1TA

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLAIMS AND RECOVERY SERVICES LIMITED

We have audited the financial statements of Claims and Recovery Services Limited for the year ended 31 December 2002 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 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

30 October 2003

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002 £000	2001 £000
Turnover	4	3	652
Interest and investment income	5	16	27
OPERATING REVENUE		19	679
Operating expenses		89	1,109
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(70)	(430)
Tax credit on loss on ordinary activities	8	(21)	(124)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(49)	(306)
RETAINED LOSS FOR THE FINANCIAL YEAR	13	(49)	(306)

All activities derive from discontinued operations.

RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2002

There are no recognised gains or losses other than the loss attributable to shareholders of the Company of £49,000 in the year ended 31 December 2002 and of £306,000 in the year ended 31 December 2001.

BALANCE SHEET AS AT 31 DECEMBER 2002

	Note	2002 £000	2001 (Restated) £000
CURRENT ASSETS			
Debtors	9	542	1,918
Deposits and cash		348	946
		890	2,864
CURRENT LIABILITIES			
CREDITORS: amounts falling due within one year	10	959	2,411
TOTAL ASSETS LESS CURRENT LIABILITIES		(69)	453
PROVISIONS FOR LIABILITIES AND CHARGES	11	413	886
		(482)	(433)
CAPITAL AND RESERVES			
Called up share capital	12	15	15
Profit and loss account	13	(497)	(448)
EQUITY SHAREHOLDERS' DEFICIT		(482)	(433)

These financial statements were approved by the Board of directors on 27 October 2003.

Signed on behalf of the Board of directors:

ST Barton
Director

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

	2002 £000	2001 £000
Loss for the financial year	(49)	(306)
Net movement in shareholders' funds for the year	(49)	(306)
Shareholders' deficit at 1 January	(433)	(127)
Shareholders' deficit at 31 December	(482)	(433)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2002

1. ULTIMATE PARENT COMPANY

The Company is a wholly-owned subsidiary of Willis 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 as the Company's intermediate parent company has confirmed that financial support will be made available to enable the Company to meet its day to day trading obligations as they fall due.

(b) Turnover
Turnover comprises fees earned and commissions received in the financial year.

(c) Fixed asset investments
Fixed asset investments are carried at cost less any provision for permanent diminution in value.

(d) 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.

(e) 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.

(f) 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.

3. TURNOVER

The table below analyses the Company's turnover 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.

	2002 £000	2001 £000
United Kingdom	3	606
Rest of the World	-	46
	3	652

4. INTEREST AND INVESTMENT INCOME

	2002 £000	2001 £000
Interest receivable	16	27

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2002 £000	2001 £000
Operating loss was arrived at after charging :		
Auditors remuneration :		
Audit fees	1	6

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

6. EMPLOYEE COSTS

	2002 £000	2001 £000
Salaries	14	327
Social security costs	-	20
Pension costs	-	12
	14	359

	2002 Number	2001 Number
Number of employees – average for the year	-	18

The staff who worked for the Company were employed by other subsidiary undertakings of Willis Group Holdings Limited. The Company bore the costs of the salaries, social security payments and pension contributions relating to such staff and reimbursed the employing company for the full amount of the costs incurred, as shown above.

7. DIRECTORS' REMUNERATION

	2002 £000	2001 £000
Emoluments (excluding pension contributions and long term incentive awards)	-	80
Benefits	-	11
	-	91

	2002 Number	2001 Number
Directors eligible for defined benefit pension schemes	-	2

8. TAX ON LOSS ON ORDINARY ACTIVITIES

(a) Analysis of credit for the year

	2002 £000	2001 £000
Current tax:		
UK corporation tax on losses of 30% (2001: 30%)	(21)	(127)
Adjustments in respect of prior periods	-	3
Total current tax (note 8(b)) and tax on loss on ordinary activities	(21)	(124)

(b) Factors affecting tax credit for the year

The tax assessed for the year is the same as the standard rate of corporation in the UK (30%). The 2001 difference is explained below:

	2002 £000	2001 £000
Loss on ordinary activities before tax	(70)	(430)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	(21)	(129)
Effects of:		
Expenses not deductible for tax purposes	-	5
Current tax credit for the year (note 8(a))	(21)	(124)

(c) Factors that may affect future tax charges

The Company does not expect to trade in future and therefore expects no further tax to be payable.

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

9. DEBTORS

	2002	2001 (Restated)
	£000	£000
Due within one year:		
Trade debtors	105	1,029
Amounts owed by group undertakings	403	743
Corporate tax	24	127
Prepayments and accrued income	-	12
Other debtors	10	7
	542	1,918

10. CREDITORS : amounts falling due within one year

	2002	2001
	£000	£000
Trade creditors	199	1,556
Amounts owed to group undertakings	759	823
Other creditors	1	32
	959	2,411

11. PROVISIONS FOR LIABILITIES AND CHARGES

	2002	2001 (Restated)
	£000	£000
1 January	886	20
Profit and loss account movements	4	869
Used in the year	(477)	(3)
31 December	413	886

Provisions comprise estimates for liabilities that may arise from actual and potential claims for errors and omissions. In respect of movements arising during the year, £327,000 is recoverable from the Group's captive insurer. At 31 December 2002, the total amount recoverable from the Group's captive insurer was £403,000 (2001:£730,000).

As required under FRS12 'Provisions, Contingent Liabilities and Contingent Assets', the Company has restated its 31 December 2001 balance sheet to reflect the gross provision for errors and omissions claims and the insurance recoverables in respect of those claims. Accordingly, the balance sheet has been restated as follows:

	2001 as previously disclosed £000	2001 (Restated) £000	Balance sheet effect £000
Amounts owed by group undertakings (note 11)	13	743	730
Provisions for liabilities and charges (note 13)	156	886	(730)
			-

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

12. CALLED UP SHARE CAPITAL

	2002 £000	2001 £000
Authorised share capital : 50,000 ordinary shares of £1 each	50	50
Allotted, issued and fully paid : 15,000 ordinary shares of £1 each	15	15

13. PROFIT AND LOSS ACCOUNT

	2002 £000	2001 £000
1 January	(448)	(142)
Retained loss	(49)	(306)
31 December	(497)	(448)

14. PENSIONS

The staff who were 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.

15. CONTINGENT LIABILITIES

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 (31 December 2001 : $498.0 million).

The Company has given guarantees and indemnities to bankers and other third parties amounting to £2,919 (2001: £2,874).

16. 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.