

# **CLAIMS AND RECOVERY SERVICES LIMITED**

(Registered No. 2909258)

## **DIRECTORS' REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2001**

### **DIRECTORS**

ST Barton  
MJ Smith  
JR Whitwood

### **SECRETARY**

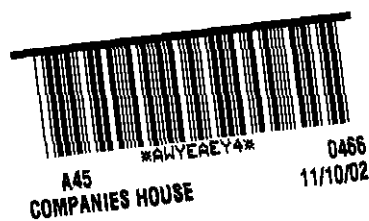
TM Warren

### **REGISTERED OFFICE**

15 Friars Street  
Ipswich, Suffolk  
IP1 1TA

### **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 ACTIVITIES AND PERFORMANCE REVIEW

The Company, established in 1994, operated as claims settling agent and pursued recovery cases against third parties under subrogation. On 1 January 2002 the Company ceased to accept new business with the run-off of the existing business being undertaken by its parent company, sold its subsidiary in Moscow and is in the process of closing its representative offices in Kiev and Moscow and its branch in Prague.

### RESULTS AND DIVIDENDS

The loss on ordinary activities after taxation amounted to £306,000 (2000: £135,000). The directors do not recommend the payment of a final dividend (2000 : £Nil).

### DIRECTORS

The present directors of the Company are named on page 1, which forms part of this report. CM London resigned as a director of the Company on 1 November 2001 and Messrs. MDT Faber, CP Parker and JP Winn and Ms SJ Turvill resigned as directors of the Company on 1 July 2002.

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	31.12.2001
ST Barton	10,000	16,600	50,000	393	5,000	45,393
CP Parker	-	-	-	393	-	393
MJ Smith	-	-	-	314	-	314
SJ Turvill	30,000	65,000	138,000	393	30,000	108,393
JR Whitwood	-	-	-	118	-	118
JP Winn	-	-	-	-	-	-

### 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 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 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.

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DIRECTOR'S 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 1995.

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 be 'TM Warren', written in a cursive style.

TM Warren  
Secretary

11 September 2002

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 2001 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.

**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.

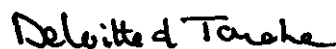
**Basis of audit opinion**

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  
London

9 October 2002

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

	Note	2001 £000	2000 £000
Turnover	4	652	1,137
Interest and investment income	5	27	55
OPERATING REVENUE		679	1,192
Operating expenses		1,109	1,382
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(430)	(190)
Tax on loss on ordinary activities	9	(124)	(55)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(306)	(135)
RETAINED LOSS FOR THE FINANCIAL YEAR	15	(306)	(135)

All activities derive from discontinued 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 £306,000 in the year ended 31 December 2001 and of £135,000 in the year ended 31 December 2000.

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BALANCE SHEET AS AT 31 DECEMBER 2001

	Note	2001 £000	2000 £000
<b>FIXED ASSETS</b>			
Investments	10	-	-
<b>CURRENT ASSETS</b>			
Debtors	11	1,188	1,009
Deposits and cash		946	496
		<u>2,134</u>	<u>1,505</u>
<b>CURRENT LIABILITIES</b>			
CREDITORS : amounts falling due within one year	12	<u>2,411</u>	<u>1,612</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(277)</u>	<u>(107)</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13	<u>156</u>	<u>20</u>
		<u>(433)</u>	<u>(127)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	15	15
Profit and loss account	15	<u>(448)</u>	<u>(142)</u>
<b>EQUITY SHAREHOLDERS' DEFICIT</b>		<u>(433)</u>	<u>(127)</u>

Approved on behalf of the Board on 11 September 2002.

  
ST Barton  
Director

# CLAIMS AND RECOVERY SERVICES LIMITED

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

	2001 £000	2000 £000
Loss for the financial year	(306)	(135)
Net movement in shareholders' funds for the year	(306)	(135)
Shareholders' (deficit)/funds at 1 January	(127)	8
Shareholders' deficit at 31 December	(433)	(127)

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2001

### 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. FUTURE OPERATIONS

These financial statements have been prepared on a going concern basis as the Company's 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.

### 3. ACCOUNTING POLICIES

- (a) **Basis of preparation**  
These accounts have been prepared on the going concern basis under the historical cost convention and comply with accounting standards applicable in the United Kingdom.
- (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 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) **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.

### 4. 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.

	2001 £000	2000 £000
United Kingdom	606	1,054
Rest of the World	46	83
	<hr/> 652	<hr/> 1,137

### 5. INTEREST AND INVESTMENT INCOME

	2001 £000	2000 £000
Interest receivable	<hr/> 27	<hr/> 55

### 6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2001 £000	2000 £000
Operating loss was arrived at after charging :		
Auditors remuneration :		
Audit fees	<hr/> 6	<hr/> 10



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

	2001 £000	2000 £000
Employee costs net of amounts reimbursed by fellow subsidiary undertakings during the year consisted of:		
Salaries	327	459
Social security costs	20	32
Pension costs	12	16
	<u>359</u>	<u>507</u>
	2001 Number	2000 Number
Number of employees – average for the year	18	22

The staff working for the Company are employed by other subsidiary undertakings of Willis Group Holdings Limited. The Company bears the costs 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.

**8. DIRECTORS' REMUNERATION**

	2001 £000	2000 £000
Emoluments (excluding pension contributions and long term incentive awards)	80	98
Benefits	11	12
	<u>91</u>	<u>110</u>
	2001 Number	2000 Number
Directors eligible for defined benefit pension schemes	2	4

**9. TAX ON LOSS ON ORDINARY ACTIVITIES**

	2001 £000	2000 £000
UK corporation tax:		
Current tax on income for the period @ 30%	(127)	(55)
Adjustments in respect of prior periods	3	-
	<u>(124)</u>	<u>(55)</u>

**10. SHARES IN SUBSIDIARY UNDERTAKINGS**

The principal subsidiary undertakings at 31 December 2001 were:

INVESTMENT HOLDING	Country of incorporation	Class of share	Percentage of share capital held
Claims and Recovery Services (Moscow) Limited	Russia	Ordinary shares of 100 roubles each	97%

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 its Group.

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

11. DEBTORS	2001 £000	2000 £000
Due within one year:		
Trade debtors	1,029	937
Amounts owed by group undertakings	13	8
Prepayments and accrued income	12	-
Corporate tax	127	58
Other debtors	7	6
	<u>1,188</u>	<u>1,009</u>

12. CREDITORS : amounts falling due within one year	2001 £000	2000 £000
Trade creditors	1,556	838
Amounts owed to group undertakings	823	741
Other creditors	32	33
	<u>2,411</u>	<u>1,612</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES	2001 £000	2000 £000
1 January	20	3
Profit and loss account movements	139	19
Used in the year	(3)	(2)
31 December	<u>156</u>	<u>20</u>

Provisions comprise estimates for liabilities that may arise from actual and potential claims for errors and omissions. At 31 December 2001, the total amount recoverable from the Group's captive insurer was £Nil (2000:£Nil).

14. CALLED UP SHARE CAPITAL	2001 £000	2000 £000
Authorised share capital : 50,000 ordinary shares of £1 each	<u>50</u>	<u>50</u>
Allotted, issued and fully paid : 15,000 ordinary shares of £1 each	<u>15</u>	<u>15</u>

15. PROFIT AND LOSS ACCOUNT	2001 £000	2000 £000
1 January	(142)	(7)
Retained loss	(306)	(135)
31 December	<u>(448)</u>	<u>(142)</u>

**16. PENSIONS**

The 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. 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 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 staff working for the Company cannot be separately identified. As at 31 December 2001 the Willis Pension Scheme showed an overall surplus of £66.5 million. This is based on a review and update of the most recent full valuation of the scheme as at 31 December 1998. Full disclosures for the Willis Pension Scheme under FRS17 are included in the accounts of Willis Group Limited.

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2001 (continued)****17. 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 2001 these facilities amounted to \$498.0 million (31 December 2000 : \$557.5 million).

The Company has given guarantees and indemnities to bankers and other third parties amounting to £2,874 (2000 : £2,071).

**18. 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.