621757

WILLIS GROUP LIMITED

(formerly Willis Corroon Group Limited)

1999 ANNUAL REPORT AND ACCOUNTS

Directors

J Reeve - Executive Chairman
G F Nixon – Vice Chairman
K H Pinkston – Vice Chairman
R J S Bucknall
T Colraine
B D Johnson
P Lucas (non-executive)
J M Pelly

Registered Office and Number
Ten Trinity Square
London EC3P 3AX
No. 621757

Directors' report
for the year ended 31 December 1999

Principal activities

The Company acts as the holding company of the Willis Group, which is one of the world's leading professional service providers of risk management solutions, risk transfer expertise through insurance and reinsurance broking, and related specialised consultancy services.

Change of Name

The Company changed its name to Willis Group Limited on 1 October 1999.

Performance review

The Group's profit before exceptional items and tax for 1999 was £62.3 million, compared with £85.9 million reported for 1998. After adjusting for currency, acquisitions, disposals and various non-recurring items the Group's underlying profit before tax decreased by 21%.

The Group's operating revenue for the year was £766.4 million compared with £718.2 million for 1998, an increase of 7%. At constant exchange rates and adjusting for businesses acquired and sold, operating revenue rose by 3% in underlying terms.

The results reflect a reasonable performance in a trading environment which was difficult for all the Group's operations and after taking account of the costs associated with the acceleration of our transition to a more comprehensive professional advisory services firm.

We have continued, during 1999, the expansion of our global distribution platform, strengthening our interests in Germany and making acquisitions in Latin America. In Germany, we increased our investment in Jaspers Wuppesahl Industrie Assekuranz GmbH & Co. KG to 44.6% from 30%. We acquired a 20% interest in Hertzfeld & Levy SA ("Hertzfeld"), the largest independent insurance broker in Argentina, and established with Hertzfeld a joint reinsurance broking venture under the name Willis SA. We executed agreements to acquire a 51% interest in the largest independent Mexican insurance broker, Bourchier, Marquard, Zepeda Agente de Seguros y de Fianzas, S.A. de C.V. and have acquired a 51% interest in four Venezuelan companies, which included Ronto-Aralca y Asociados, C.A. Rontarca, the largest insurance broker in that country, and C.A. Prima Corretaje de Seguros, the third largest independent insurance broker in Venezuela.

In the early part of 2000, we announced an agreement in principle to acquire a majority holding in Sev. Dahl's Assurancekontor AS, the largest independent insurance broker in Norway.

Directors

The present directors of the Company are named on page 1 and held office throughout the year.

Details of the directors' interests in contracts are disclosed in note 28 to the accounts.

Directors' interests in shares

The directors who held office on 31 December 1999 and whose interests are not reported in the accounts of a parent company had the following interests in the management ordinary shares of TA I Limited, the ultimate parent company, as recorded in the register kept for the purpose:

Director	Management Ordinary Shares of 10p each		Options over Management Ordinary Shares of 10p each
	1.1.99	31.12.99	
R J S Bucknall	60,000	85,000	460,000
T Colraine	52,375	52,375	447,625
B D Johnson	160,000	160,000	400,000
P Lucas	-	50,000	-
G F Nixon	100,000	100,000	460,000
J M Pelly	100,000	100,000	460,000
K H Pinkston	100,000	100,000	400,000

Note
All options were granted effective from 18 December 1998 and there have been no further grants or exercises since that date.

Directors' report
for the year ended 31 December 1999 (continued)

Employees

The Group is committed to the participation and involvement of employees in the Group's business and to facilitating their personal development to its maximum potential.

Communication with employees concerning the objectives and performance of the Group is conducted through personal briefings and regular meetings, complemented by employee publications and video presentations. An annual employee attitude survey is undertaken to seek feedback from staff on a variety of business, management and human resources issues. These communication tools provide employees with the opportunity to contribute to the everyday running of the business and to support the achievement of the Group's vision and business strategy.

It is Group policy, in keeping with the legislation in the countries in which it operates, to provide a working environment free from all forms of harassment and discrimination, including discrimination against disabled employees, with respect to employment continuity, training, career development and other employment practices.

Year 2000

The Company experienced no significant disruption as a result of Year 2000 problems.

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. 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 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 a 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 the Group and to prevent and detect fraud and other irregularities.

Auditors

During the year Deloitte & Touche were appointed auditors of the Company in place of Ernst & Young. An elective resolution dispensing with the requirement to appoint auditors annually was approved by shareholders at an Extraordinary General Meeting held on 26 January 2000.

By order of the Board

M Chitty

M P Chitty
Secretary
Ten Trinity Square
London EC3P 3AX

20 March 2000

Report of the Auditors to the members of Willis Group Limited

We have audited the accounts on pages 5 to 27 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3, the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group'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 accounts 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 accounts.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 1999 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Stonecutter Court
1, Stonecutter Street
London EC4A 4TR

20 March 2000

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1999

	Note	Before exceptional items 1999 £m	Exceptional items (Note 5) 1999 £m	1999 £m	Before exceptional items 1998 £m	Exceptional items (Note 5) 1998 £m	1998 £m
Brokerage and fees - (including acquisitions £10.8m)		727.8	-	727.8	677.9	-	677.9
Interest and investment income	2	38.6	-	38.6	40.3	-	40.3
Operating revenue		766.4	-	766.4	718.2	-	718.2
Operating expenses (including acquisitions £8.6m)		(714.8)	(54.6)	(769.4)	(635.4)	(40.8)	(676.2)
Operating profit/(loss) (including acquisitions £2.2m)	3	51.6	(54.6)	(3.0)	82.8	(40.8)	42.0
Share of operating profit of associates	4	6.6	-	6.6	6.3	-	6.3
Profit/(loss) on disposal/closure of operations		1.5	-	1.5	-	(29.3)	(29.3)
Interest receivable	6	56.8	-	56.8	7.1	-	7.1
Net interest payable (including associates £nil)	7	(54.2)	-	(54.2)	(10.3)	-	(10.3)
Profit on ordinary activities before taxation		62.3	(54.6)	7.7	85.9	(70.1)	15.8
Tax on profit on ordinary activities	9			(11.1)			(54.4)
Loss on ordinary activities after taxation				(3.4)			(38.6)
Equity minority interests				(3.0)			(2.7)
Loss for the financial year				(6.4)			(41.3)
Dividends	10			(74.8)			(22.2)
Retained loss	22			(81.2)			(63.5)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 1999

	1999 £m	1998 £m
Loss for the financial year		
Parent and subsidiaries	(11.1)	(45.7)
Associates	4.7	4.4
	(6.4)	(41.3)
Currency translation differences		
Subsidiaries	(4.9)	(10.0)
Associates	(1.3)	(0.5)
	(6.2)	(10.5)
Total recognised gains and losses for the financial year	(12.6)	(51.8)

GROUP CASH FLOW STATEMENT
for the year ended 31 December 1999

	Note	1999 £m	1999 £m	1998 £m	1998 £m
Net cash inflow from operating activities	11		130.4		29.8
Dividends from associated undertakings			2.2		2.4
Returns on investments and servicing of finance					
Interest paid		(44.8)		(2.9)	
Interest received		47.8		-	
Bank fees on borrowings		(4.7)		(9.6)	
Minority dividend paid		(1.1)		-	
Interest element of finance lease rental payments		-		(0.1)	
Net cash outflow for returns on investment and servicing of finance			(2.8)		(12.6)
Taxation			(12.8)		(26.9)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(25.1)		(29.9)	
Sale of tangible fixed assets		6.4		3.4	
Purchase of fixed asset investments		(0.2)		(1.9)	
Sale of fixed asset investments		0.8		-	
Net cash outflow for capital expenditure and financial investment			(18.1)		(28.4)
Acquisitions and disposals					
Purchase of subsidiaries	14	(10.2)		(18.2)	
Purchase of associates		(10.6)		(20.6)	
Sale of subsidiaries	14	9.0		6.6	
Net cash transferred on purchase/sale of subsidiaries		1.3		(0.1)	
Net cash outflow for acquisitions and disposals			(10.5)		(32.3)
Equity dividends paid			(49.2)		(27.4)
Cash flow before management of liquid resources and financing			39.2		(95.4)
Management of liquid resources	11		(35.2)		55.4
Financing					
Issue of ordinary share capital		2.5		4.7	
Amounts due from parent company	11	23.0		(858.3)	
Amounts due to parent company	11	(7.8)		332.6	
Convertible debentures	11	-		(0.2)	
Debt due within one year : increase in short-term borrowings	11	-		349.4	
Debt due within one year : decrease in short-term borrowings	11	(351.0)		-	
Debt due beyond one year : increase in long-term borrowings	11	-		241.3	
Debt due beyond one year : decrease in long-term borrowings	11	(11.4)		-	
Issue of 9% Senior Subordinated Notes due 2009	11	333.3		-	
Capital element of finance lease rental payments	11	-		(0.6)	
Net cash (outflow)/inflow from financing			(11.4)		68.9
(Decrease)/increase in cash in the year	11		(7.4)		28.9

BALANCE SHEETS at 31 December 1999	Note	Group 1999 £m	Group 1998 £m	Company 1999 £m	Company 1998 £m
Fixed assets					
Intangible assets	12	**30.1**	19.7	**-**	-
Tangible assets	13	**135.7**	141.6	**-**	-
Investments	14	**6.7**	6.1	**109.8**	105.6
Investments in associates	15	**39.9**	28.3	**-**	-
		212.4	195.7	**109.8**	105.6
Current assets					
Debtors	16	**3,878.6**	3,794.6	**706.6**	686.5
Investments	17	**294.5**	281.6	**-**	47.9
Deposits and cash		**329.3**	317.1	**7.8**	15.6
		4,502.4	4,393.3	**714.4**	750.0
Current liabilities					
Creditors : amounts falling due within one year	18	**(3,836.1)**	(4,115.7)	**(277.9)**	(362.7)
Net current assets		**666.3**	277.6	**436.5**	387.3
Total assets less current liabilities		**878.7**	473.3	**546.3**	492.9
Creditors : amounts falling due after more than one year	19	**(641.3)**	(281.4)	**-**	-
Provisions for liabilities and charges	20	**(124.5)**	(94.8)	**-**	-
		112.9	97.1	**546.3**	492.9
Capital and reserves					
Called up share capital	21	**59.5**	53.6	**59.5**	53.6
Share premium	22	**118.0**	28.5	**118.0**	28.5
Revaluation reserve	22	**14.9**	14.9	**-**	-
Profit and loss account	22	**(90.6)**	(8.0)	**368.8**	410.8
Shareholders' funds		**101.8**	89.0	**546.3**	492.9
Equity minority interests		**11.1**	8.1	**-**	-
		112.9	97.1	**546.3**	492.9

Approved on behalf of the Board on 20 March 2000

T Colraine
Group Finance Director

ACCOUNTING POLICIES

Basis of preparation

The Group accounts have been prepared on the going concern basis under the historical cost convention as modified by the revaluation of certain land and buildings. The Group accounts comply with accounting standards applicable in the United Kingdom.

Basis of consolidation

The Group accounts incorporate those of the Company and its subsidiaries together with the Group's share of the results and net assets of associates based on accounts drawn up to 31 December. The results of subsidiaries and associates acquired or disposed of during the year are included from or to the relevant dates of acquisition or disposal.

Goodwill

Goodwill arising on acquisitions occurring after 1 January 1998 is capitalised and amortised on a systematic basis over its useful economic life, determined on the individual circumstances of each business acquired but limited to a maximum period of 20 years. Goodwill on acquisitions completed before 1 January 1998 was eliminated against reserves. On disposal of a business acquired before 1 January 1998 any goodwill which was previously eliminated against reserves is reinstated and charged to the profit and loss account.

Revenue recognition

The Group takes credit for brokerage (or fees negotiated instead of brokerage) at the date when the insured is debited or at the inception date of the policy, whichever is the later. Brokerage on return and additional premiums and adjustments are brought into account as and when these occur; other fees and commissions are generally accounted for on a receivable basis.

Insurance broking debtors and creditors

Insurance brokers usually act as agents in placing the insurable risks of their clients and, as such, generally are not liable as principals for amounts arising from such transactions. Notwithstanding the legal relationships with clients and insurers, insurance brokers are entitled to retain investment income on any cash flows arising from insurance broking transactions; accounting standards require debtors and creditors arising from such transactions to be shown as assets and liabilities.

Debit and credit balances arising from insurance broking transactions are reported as separate assets or liabilities unless such balances are due to or from the same party and the offset would survive the insolvency of that party, in which case they are aggregated into a single net balance.

Currency translation

Transactions in currencies other than sterling are recorded at the rate of exchange at the date of the transaction, or, in the case of forward contracts in respect of the current year's income, at the contracted rate. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences arising on the translation of the net assets of overseas subsidiaries and associates, and the exchange differences arising on foreign currency borrowings taken out to provide a hedge against the exchange risk associated with those investments, are taken to reserves.

The results of overseas subsidiaries and associates are translated into sterling at average rates of exchange and the difference between average rates and year-end rates is taken to reserves. Other exchange differences are taken to the profit and loss account.

Depreciation

Depreciation is calculated on a straight line basis at rates estimated to write down the value of assets over their expected useful lives. Depreciation on freehold buildings and long leaseholds is provided at 2% per annum. Other leaseholds are written off over the remaining period of the lease. Depreciation on fixed plant, furniture, equipment and vehicles is provided at rates between 4% and 33 1/3% per annum. No depreciation is provided on freehold land.

Deferred tax

Deferred tax assets and liabilities are accounted for using the liability method for all timing differences to the extent that it is probable that an asset or liability will crystallise. No provision is made for tax that would be payable on the disposal of revalued properties until it is decided in principle to dispose of the asset.

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.

Financial derivatives

The Group uses derivative instruments for hedging purposes to alter the risk profile of an existing underlying exposure. Interest rate swaps are used to manage interest risk exposures and interest differentials are recognised over the period of the contract. Forward foreign currency exchange contracts are used to manage currency exposures arising from future income and gains or losses based on the contracted rate are recognised on maturity of the contract.

NOTES TO THE ACCOUNTS

1. **Segmental analysis**

Geographical analysis	1999 £m	1998 £m
Brokerage and fees (by location of client (a))		
United Kingdom	163.2	165.3
North America	391.0	368.0
Rest of the world	173.6	144.6
	727.8	677.9
Brokerage and fees (by location of company)		
United Kingdom	280.6	278.7
North America	359.7	339.5
Rest of the world	87.5	59.7
	727.8	677.9
Operating revenue		
United Kingdom	306.4	305.4
North America	370.9	351.3
Rest of the world	89.1	61.5
	766.4	718.2
Operating profit (b)		
United Kingdom	(25.2)	4.1
North America	5.4	25.7
Rest of the world	16.8	12.2
	(3.0)	42.0
Net assets		
United Kingdom	(29.1)	(27.9)
North America	73.9	84.8
Rest of the world	68.1	40.2
	112.9	97.1

(a) The location of the client from whom the business is derived does not necessarily reflect the original source or location of the business.

(b) Operating profit is stated after charging exceptional items of £40.4m (1998 : £35.8m) in the United Kingdom and £14.2m (1998 : £5.0m) in North America.

2. **Interest and investment income**	1999 £m	1998 £m
Interest receivable	28.1	27.1
Investment income	10.5	13.2
	38.6	40.3

NOTES TO THE ACCOUNTS (continued)

3. *Operating profit/(loss)*		1999 £m	1998 £m
The operating loss in 1999 and profit in 1998 was arrived at after charging :			
Auditors' remuneration	Audit fees	**0.9**	1.1
	Other services provided by auditors in the UK	**0.7**	0.4
Depreciation	Owned assets	**25.2**	23.3
	Finance leased assets	**-**	0.1
Amortisation of goodwill		**1.6**	1.0
Operating lease rentals	Land and buildings	**30.4**	28.5
	Equipment	**4.1**	3.0

4. Share of operating profit of associates

The share of operating profit of associates includes amortisation of goodwill amounting to £1.4m (1998 : £0.7m).

5. Exceptional items

(i) **Pensions review**
In common with many companies involved in selling personal pension plans, a Group subsidiary is required by the Financial Services Authority and the Personal Investment Authority ('the Regulator') to review certain categories of personal pension plans sold to individuals between 1988 and 1994 and to compensate those individuals who had suffered loss as a result of advice given.

Further provisions totalling £40.0m were established during 1999 (1998 : £25.0m) as the estimated cost of compensation and administration increased as a consequence of falling UK interest rates, changes in financial and demographic assumptions prescribed by the Regulator and the prospect of having to rework a substantial number of previously agreed claims as a result of the Regulator's announcement in December 1999 of the discovery of errors in the prescribed method of calculating compensation. For these reasons, there is still uncertainty as to the ultimate exposure although, based on current circumstances, the provisions are considered prudent.

(ii) **Restructuring charges**
A charge of £10.5m was made in 1999 to cover the costs of implementing changes to business processes in the North American operations during 2000. The charge comprised £4.0m for redundancy payments covering 265 employees and £6.5m for property leases in excess of Group requirements.

(iii) **Financing costs**
In connection with the issue of the 9% Senior Subordinated Notes, fees amounting to £4.1m, were written off during 1999.

(iv) **Costs in connection with the offer by Trinity Acquisition Limited ("Trinity")**
Legal and professional costs and debt issuance costs written off by the Group in 1998 in connection with the acquisition by Trinity of the whole of the issued share capital of the Company amounted to £15.8m.

(v) **Loss on closure/disposal of operations**
The loss on closure of the Group's US professional liability wholesale operation ("PLUM") in May 1998 amounted to £0.7m, before writing off attributable goodwill. In accordance with Financial Reporting Standard ("FRS") 10, goodwill attributable to PLUM of £29.6m million, which had been previously eliminated directly against retained earnings, was reinstated and written off as a component of the loss on closure. This accounting requirement does not affect the Group's net assets; the net impact after tax of the closure of PLUM was to reduce net assets by £0.4m. The profit on disposal of other operations during 1998 amounted to £1.0m.

6. **Interest receivable**	1999 £m	1998 £m
Interest receivable from parent company	**56.1**	7.1
Other interest receivable	**0.7**	-
	56.8	7.1

NOTES TO THE ACCOUNTS (continued)

7. Interest payable	1999 £m	1998 £m
Bank loans and overdrafts	53.1	10.0
Amortisation of bank fees	1.1	-
Interest payable by associates	-	0.2
Finance charges payable under finance leases	-	0.1
	54.2	10.3

8. Employees	1999 £m	1998 £m
Salaries and associated expenses		
Salaries	396.2	371.9
Social security costs	27.4	24.4
Pension costs	20.1	20.4
	443.7	416.7

	Average for year	
Number of Group employees	1999 Number	1998 Number
United Kingdom	3,695	3,865
North America	4,324	4,358
Rest of the world	1,427	1,021
	9,446	9,244

9. Tax on profit on ordinary activities	1999 £m	1998 £m
Charge for the year		
UK corporation tax at 30.25% (1998 : 31.0%)	12.0	11.5
Overseas tax	11.9	11.0
Advance corporation tax written off	-	9.7
Deferred tax	(14.2)	20.5
Over-provision in prior years	(0.5)	-
	9.2	52.7
Associates	1.9	1.7
	11.1	54.4

The deferred tax credit for 1999 includes £6.0m utilisation of UK deferred tax liabilities relating to depreciable assets and overseas distributed profits and the £4.6m creation of a US deferred tax asset with respect to the North American restructuring charges. The deferred tax charge for 1998 included the write-off of UK deferred tax assets amounting to £23.4m. The timing of the recovery of these assets is uncertain.

The total tax charge for 1999 includes a credit of £7.4m (1998 : £3.8m) relating to exceptional items.

The tax charge for the year exceeds the profit for the year largely as a result of provisions, principally those relating to the pensions review, not being recognised for tax relief in the current year.

10. Dividends	1999 £m	1998 £m
First interim	61.1	7.4
Second interim	13.7	7.4
Third interim	-	7.4
	74.8	22.2

NOTES TO THE ACCOUNTS (continued)

11. Notes to Group cash flow statement	1999 £m	1998 £m
Reconciliation of operating (loss)/profit to net cash flow from operating activities		
Operating (loss)/profit from total operations	(3.0)	42.0
Exceptional items	54.6	25.0
Cash outflow on exceptional items	(13.0)	(4.4)
Depreciation, amortisation and net gain on sale of tangible fixed assets	30.2	24.7
Increase in debtors	(60.6)	(22.5)
Increase/(decrease) in creditors	120.1	(14.9)
Net movement on provisions	2.1	(20.1)
Net cash inflow from operating activities	130.4	29.8

Reconciliation of net cash flow to movement in net funds	1 January *1999* £m	*Cash flow* £m	Other non-cash *movements* £m	Exchange *movement* £m	31 December *1999* £m
Cash					
Deposits and cash	317.1	11.5	-	0.7	329.3
Deduct deposits classified as liquid resources	(193.7)	(23.2)	-	(1.9)	(218.8)
	123.4	(11.7)	-	(1.2)	110.5
Overdrafts	(6.2)	4.3	-	0.3	(1.6)
	117.2	(7.4)	-	(0.9)	108.9
			-		
Liquid resources			-		
Current asset investments	281.6	12.0	-	0.9	294.5
Deposits	193.7	23.2	-	1.9	218.8
	475.3	35.2	-	2.8	513.3
Borrowings					
Amounts due from parent company	1,235.4	(23.0)	-	11.3	1,223.7
Amounts due to parent company	(714.1)	7.8	65.6	(11.8)	(652.5)
Debt due within one year	(350.9)	351.0	-	(0.1)	-
Repayment of debt due after more than one year	(276.4)	11.4	-	(5.1)	(270.1)
Issue of 9% Senior Subordinated Notes due 2009	-	(333.3)	-	(6.2)	(339.5)
	(106.0)	13.9	65.6	(11.9)	(38.4)
Net funds	486.5	41.7	65.6	(10.0)	583.8
Net funds movements in 1998	581.8	(90.7)	-	(4.6)	486.5

As described in Note 26, deposits and cash totalling £68.6m are subject to a floating charge.

NOTES TO THE ACCOUNTS (continued)

12. Intangible assets	£m
Cost or valuation	
1 January 1999	20.0
Exchange and other adjustments	0.1
Arising from acquisitions	11.9
31 December 1999	32.0
Amortisation	
1 January 1999	(0.3)
Provided in the year	(1.6)
31 December 1999	(1.9)
Net book value 31 December 1999	30.1
31 December 1998	19.7

13. Tangible assets	Land and buildings £m	Furniture equipment and vehicles £m	Total £m
Cost or valuation			
1 January 1999	96.1	150.7	246.8
Exchange and other adjustments	-	0.2	0.2
Additions	3.2	23.4	26.6
Disposals	(6.6)	(47.9)	(54.5)
Arising from acquisitions	-	1.4	1.4
31 December 1999	92.7	127.8	220.5
Depreciation			
1 January 1999	(12.7)	(92.5)	(105.2)
Provided in the year	(5.4)	(19.8)	(25.2)
Disposals	2.5	43.6	46.1
Arising from acquisitions	-	(0.5)	(0.5)
31 December 1999	(15.6)	(69.2)	(84.8)
Net book value 31 December 1999	77.1	58.6	135.7
31 December 1998	83.4	58.2	141.6

Net book value of land and buildings		1999 £m	1998 £m
Freehold	Land	18.1	18.4
	Buildings	44.8	49.6
Leasehold	Long	-	0.1
	Short	14.2	15.3
		77.1	83.4

The Group's principal freehold properties were valued at 31 December 1995 on the basis of open market value for existing use. The book value of these revalued properties at 31 December 1999 was £57.7m (1998 : £60.5m) and the accumulated depreciation was £7.7m (1998 : £6.1m). Their historical cost was £57.1m (1998 : £61.6m) and accumulated depreciation was £21.8m (1998 : £21.0m).

No tax liability would arise on the realisation of the revalued properties at their net book value by virtue of available capital losses.

NOTES TO THE ACCOUNTS (continued)

14. Investments held as fixed assets

Group	TA I shares £m	Other investments £m	Total £m
Cost			
1 January 1999	3.6	3.3	6.9
Exchange and other adjustments	0.1	-	0.1
Additions	-	1.3	1.3
Disposals	(0.1)	(0.4)	(0.5)
31 December 1999	3.6	4.2	7.8
Amortisation			
1 January 1999	(0.8)	-	(0.8)
Provided during the year	(0.4)	-	(0.4)
Disposals	0.1	-	0.1
31 December 1999	(1.1)	-	(1.1)
Net book value			
31 December 1999	**2.5**	**4.2**	**6.7**
31 December 1998	2.8	3.3	6.1

At 31 December 1999 the Group's employee share ownership plans held 1,780,906 (1998 : 1,815,593) management ordinary shares in TA I Limited. These shares are not listed on any stock exchange.

Company	Subsidiaries £m	TA I shares £m	Other investments £m	Total £m
Cost or revaluation				
1 January 1999	103.4	2.1	0.5	106.0
Additions	4.4	-	0.1	4.5
Disposals	-	-	(0.1)	(0.1)
31 December 1999	107.8	2.1	0.5	110.4
Amortisation				
1 January 1999	-	(0.4)	-	(0.4)
Provided during the year	-	(0.2)	-	(0.2)
31 December 1999	-	(0.6)	-	(0.6)
Net book value				
31 December 1999	**107.8**	**1.5**	**0.5**	**109.8**
31 December 1998	103.4	1.7	0.5	105.6

NOTES TO THE ACCOUNTS (continued)

14. Investments held as fixed assets (continued)

Acquisitions and disposals of subsidiaries	Acquisitions £m	Disposals £m
Net assets acquired and disposed of comprised:		
Tangible fixed assets	0.9	-
Debtors	10.3	0.9
Cash	1.2	(0.1)
Creditors	(11.8)	(0.8)
	0.6	-
Goodwill acquired/written off	11.9	3.0
Minority interest	(1.2)	-
Profit on disposal	-	1.5
Total cost/proceeds	11.3	4.5
Satisfied by		
Cash	9.2	4.5
Deferred consideration	2.1	-
	11.3	4.5

A number of acquisitions were made during the year, none of which were individually material to the operations of the Group. All were accounted for under the acquisition method and did not give rise to any material fair value adjustments.

The subsidiaries acquired during the year did not have a material effect on the Group's operating cash flow.

The cash outflow of £10.2m shown as "Purchase of subsidiaries" in the Group Cash Flow Statement includes £1.0m relating to deferred consideration paid during 1999 in respect of acquisitions completed in prior years.

The subsidiaries disposed of during the year did not have a material effect on the Group's operating cash flow and did not make a material contribution to Group profits.

The cash inflow of £9.0m shown as "Sale of subsidiaries" in the Group Cash Flow Statement includes £4.5m relating to deferred consideration received during 1999 in respect of disposals completed in prior years.

Subsidiaries
The principal subsidiaries, all of which are wholly owned, at 31 December 1999 were :

	Country of incorporation	Class of shares held
Insurance broking and risk management		
Willis North America Inc.	USA	Common
Willis UK Limited		Ordinary
Willis Limited		Ordinary
Investment holding		
Willis International Holdings Limited		Ordinary
Willis Faber Limited*		Ordinary
Willis Europe BV	Netherlands	Ordinary

* owned directly by Willis Group Limited, all other undertakings are indirectly held.

Unless otherwise indicated, undertakings are incorporated in Great Britain. All undertakings operate principally in the country of their incorporation.

In addition to the undertakings shown above, the Group also holds investments in many other subsidiaries and associates. Details of all Group undertakings will be annexed to the Company's next annual return in compliance with the Companies Act 1985 (as amended).

NOTES TO THE ACCOUNTS (continued)

15. Investments in associates

Group	Net asset value £m	Goodwill £m	Total £m
Cost			
1 January 1999	11.6	17.4	29.0
Exchange and other adjustments	(1.3)	-	(1.3)
Additions	0.7	10.8	11.5
Capital repayment	(0.9)	-	(0.9)
Share of retained profit of associates	3.7	-	3.7
31 December 1999	13.8	28.2	42.0
Provisions			
1 January 1999	-	(0.7)	(0.7)
Amortisation of goodwill	-	(1.4)	(1.4)
31 December 1999	-	(2.1)	(2.1)
Net book value			
31 December 1999	13.8	26.1	39.9
31 December 1998	11.6	16.7	28.3

The Group's share of profit retained by associates at 31 December 1999 amounted to £8.5m (1998 : £4.1m).

Associates
The principal associates at 31 December 1999 were :

Group	Nature of business	Proportion of shares held %
Gras Savoye & Cie	Insurance broking	30.0
Jaspers Wuppesahl Industrie Assekuranz GmbH & Co. KG	Insurance broking	44.6

The Group's investment in Jaspers Wuppesahl Industrie Assekuranz GmbH & Co. KG was increased to 44.6% in January 1999.

NOTES TO THE ACCOUNTS (continued)

16. Debtors	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
Due within one year				
Trade debtors	2,507.2	2,435.8	-	-
Amounts due from parent company	614.1	965.1	239.7	239.7
Amounts owed by subsidiaries	-	-	214.6	196.1
Amounts owed by associates	0.6	0.8	-	-
Corporate tax	1.0	2.0	0.6	4.4
Prepayments and accrued income	67.9	54.1	0.5	1.5
Other debtors	29.6	35.0	4.3	4.3
	3,220.4	3,492.8	459.7	446.0
Due after more than one year				
Trade debtors	12.7	6.2	-	-
Amounts due from parent company	609.6	270.3	-	-
Amounts owed by subsidiaries	-	-	246.9	240.3
Other debtors	27.7	25.3	-	0.2
Deferred taxation (Note 20)	8.2	-	-	-
	658.2	301.8	246.9	240.5
Total debtors	3,878.6	3,794.6	706.6	686.5

The level of insurance broking debtors is no indication of credit risk, since the status of the insurance broker as agent means that generally the credit risk is borne by the principals; nor is it an indication of future cash flows as it is normal practice for insurance brokers to settle accounts with clients, insurers, other intermediaries and market settlement bureaux on a net basis. The simultaneous recording of an insurance broking transaction between client and insurer results in a high level of correlation between insurance broking debtors and creditors.

	Group	
Deferred tax	1999 £m	1998 £m
The deferred tax assets/(liabilities) arise from :		
Capital allowances	(9.3)	(11.5)
Timing differences	17.5	5.5
31 December 1999	8.2	(6.0)

	Group	
17. Investments held as current assets	1999 £m	1998 £m
Listed investments (market value £44.3m (1998 : £49.8m))	45.0	48.7
Unlisted investments	249.5	232.9
	294.5	281.6

Listed investments mainly comprise investments that were purchased with the intention of holding to maturity.

The Company held no listed investments.

NOTES TO THE ACCOUNTS (continued)

18. Creditors : amounts falling due within one year

	Group		Company	
	1999 £m	1998 £m	**1999 £m**	1998 £m
Bank loans and overdrafts	**1.6**	352.7	-	-
Trade creditors	**2,985.6**	2,860.3	-	-
Amounts due to parent company	**652.5**	714.1	**272.6**	335.4
Amounts owed to subsidiaries	-	-	-	21.9
Corporate tax	**29.8**	17.7	**3.8**	2.0
Income tax and social security	**2.3**	2.6	-	-
Accruals and deferred income	**72.8**	67.6	**0.5**	1.0
Other creditors	**91.5**	100.7	**1.0**	2.4
	3,836.1	4,115.7	**277.9**	362.7

Bank loans and overdrafts due in less than one year in 1998 included a loan of $575m (£348.5m) under a fully drawn Subordinated Bridge Facility. This short-term loan was repaid on 2 February 1999 and refinanced by the issue of $550m of unsecured Senior Subordinated Notes, which mature in 2009 and accrue interest at a rate of 9%.

Included within amounts owed to parent company in 1998 was an interest free convertible loan of £92.9 m. This was converted into 46,464,949 ordinary shares in the Company on 3 February 1999.

19. Creditors : amounts falling due after more than one year

	Group	
	1999 £m	1998 £m
Bank loans	**270.1**	276.4
9% Senior Subordinated Notes due 2009	**334.6**	-
Trade creditors	**11.7**	4.3
Accruals and deferred income	**1.5**	0.7
Other creditors	**23.4**	-
	641.3	281.4
Bank loans repayable		
between one and two years	**1.4**	2.4
between two and three years	**6.3**	5.4
between three and four years	**8.2**	6.7
between four and five years	**9.4**	8.5
Thereafter	**244.8**	253.4
	270.1	276.4

In 1998 the Group entered into a secured Senior Credit Facility agreement comprising Term Loans of $450m and a Revolving Credit Facility of $150m. During 1999, the Group repaid $12.5m of Term Loans See Note 26.

The Term Loans were fully drawn down on 19 November 1998 and are arranged in four tranches that are repayable between 2005 and 2008. The loans accrue interest at LIBOR plus a variable margin. With effect from 19 February 1999 the Group entered into a swap transaction to exchange the applicable LIBOR rate for a fixed rate. At that date the weighted average interest rate was 7.7%.

The Revolving Credit Facility is available until 2005. At 31 December 1999 the balance drawn on this facility was £nil (1998 : £6.1m($10m))

NOTES TO THE ACCOUNTS (continued)

20. Provisions for liabilities and charges

Provisions	Claims (i) £m	Pensions review (ii) £m	Surplus properties (iii) £m	Discontinued operations (iv) £m	Deferred tax £m	Total £m
1 January 1999	27.5	20.7	16.9	23.7	6.0	94.8
Exchange and other adjustments	0.6	-	-	-	-	0.6
Transfer from debtors	-	-	-	-	8.2	8.2
Profit and loss account movements	10.9	40.0	6.7	-	(14.2)	43.4
Used in the year	(4.5)	(13.0)	(4.4)	(0.6)	-	(22.5)
31 December 1999	34.5	47.7	19.2	23.1	-	124.5

(i) The claims provisions include estimates for liabilities that may arise from potential claims for errors and omissions, which may not be covered by insurance arrangements.

(ii) See Note 5 (Exceptional items).

(iii) Provisions for properties surplus to operational requirements.

(iv) Provisions for discontinued operations include estimates for future costs of administering the run-off of the former UK underwriting operations. These operations, which ceased underwriting new business in 1991, comprised Willis Faber (Underwriting Management) Limited, an underwriting agency, and Sovereign Marine & General Insurance Company Limited ("Sovereign"), an insurance company. Sovereign was placed into provisional liquidation in July 1997 and in January 2000 a scheme of arrangement became effective.

21. Called up share capital	1999 Number (million)	1998 Number (million)
Authorised share capital		
Ordinary shares of 12.5p each	528	528

Allotted and fully paid	Number (million)	£m
1 January 1999	428.4	53.6
Other issues	47.7	5.9
31 December 1999	476.1	59.5

Trinity has the right to convert the preferred shares it holds in an overseas subsidiary into 563,580 ordinary shares in the Company at any time up to 31 December 2002.

On 3 February 1999 an interest free convertible loan from Trinity of £92.9m was converted into 46,464,949 ordinary shares in the Company.

During the year 1,250,000 ordinary shares of the Company, with an aggregate nominal value of £156,250, were issued fully paid for cash of £2.5m.

NOTES TO THE ACCOUNTS (continued)

22. Reserves

Group	Share capital £m	Share premium £m	Revaluation reserve £m	Profit and loss account £m	Total £m
1 January 1999	53.6	28.5	14.9	(8.0)	89.0
Ordinary shares issued	5.9	89.5	-	-	95.4
Goodwill reinstated on disposals	-	-	-	4.8	4.8
Retained earnings	-	-	-	(81.2)	(81.2)
Exchange and other adjustments	-	-	-	(6.2)	(6.2)
31 December 1999	59.5	118.0	14.9	(90.6)	101.8
1 January 1998	52.9	21.4	14.9	35.4	124.6
Ordinary shares issued	0.7	7.1	-	-	7.8
Goodwill eliminated against reserves	-	-	-	0.2	0.2
Goodwill reinstated on disposals	-	-	-	30.4	30.4
Retained earnings	-	-	-	(63.5)	(63.5)
Exchange and other adjustments	-	-	-	(10.5)	(10.5)
31 December 1998	53.6	28.5	14.9	(8.0)	89.0

The cumulative amount of goodwill eliminated in 1997 and earlier financial years, net of goodwill relating to subsidiaries disposed of, amounted to £537.3m (1998 : £542.1m). In connection with acquisitions made in earlier years, further consideration based on future income, the amount of which cannot yet be quantified, may become payable in the future. This is not expected to be material.

Company	Share capital £m	Share premium £m	Revaluation reserve £m	Profit and loss account £m	Total £m
1 January 1999	53.6	28.5	-	410.8	492.9
New ordinary shares issued	5.9	89.5	-	-	95.4
Retained earnings	-	-	-	(42.0)	(42.0)
31 December 1999	59.5	118.0	-	368.8	546.3

The Company's profit and loss account includes £277.5m which is not distributable.

The profit dealt with in the accounts of the Company amounted to £32.7m (1998 loss : £10.4m). The detailed profit and loss account of the Company is not presented as part of these accounts, as permitted by section 230 of the Companies Act 1985 (as amended).

23. Pensions

The Group operates two principal pension schemes, one in the United Kingdom and the other in the United States. Both schemes are of the defined benefit type and are funded externally. The pension cost of both schemes is assessed in accordance with the advice of professionally qualified actuaries using the projected unit credit method.

The most recent valuation of the UK scheme was at 31 December 1998 and of the US scheme at 1 January 1999. The major assumption is that the rate of return on investments would exceed salary inflation by between 2.0% and 4.5% per annum. The market value of the investments at the respective dates of the latest actuarial valuations was £902m and the actuarial value of the investments was sufficient to cover approximately 114% of the benefits that had accrued to members after allowing for expected future salary increases.

NOTES TO THE ACCOUNTS (continued)

24. Commitments

Capital commitments
The Group had contracted for capital expenditure at 31 December 1999 of £2.3m (1998 : £3.5m).

The Company and certain of its subsidiaries have call options over shares not already owned in a number of subsidiary and associated undertakings which are exercisable at various dates in the future at prices related to the then current and historical profits before tax at the date of exercise. There also exist put options which are exercisable at various dates in the future on a similar basis. The exact amounts payable depend on the future level of profitability of the undertakings concerned and exchange rates at the date of exercise. Based on current projections of profitability and exchange rates, the potential amounts payable arising from these options are not expected to exceed £152.6m (1998 : £160.1m). Most of this relates to amounts which may be payable under put options, exercisable between 2001 and 2012, entered into with the shareholders of Gras Savoye & Cie. If, by 2012, the Group has not reached a majority shareholding in Gras Savoye & Cie, it has call options to increase its interest to over 50%.

Financial commitments
The Company has undertaken to provide certain subsidiaries with financial support to enable them to meet their future operational obligations as they fall due. This financial support does not extend to providing finance for liabilities arising from negligence, breach of contract, breach of trust or any other breach of duty.

At 31 December 1999, the Group had entered into forward foreign exchange contracts amounting to approximately £68.0m (1998 : £72.7m).

Operating lease commitments	**Land and buildings**		**Other**	
Payments committed to be made by the Group	**1999 £m**	1998 £m	**1999 £m**	1998 £m
Within one year for leases expiring				
in less than one year	**1.2**	2.5	**0.4**	0.6
between one and five years	**7.7**	8.7	**2.3**	1.3
after five years	**15.7**	13.1	**-**	-
	24.6	24.3	**2.7**	1.9
After one year				
between one and two years	**24.6**	22.4	**2.3**	1.2
between two and three years	**22.8**	21.5	**1.2**	0.8
between three and four years	**19.4**	20.7	**0.3**	0.2
between four and five years	**17.0**	16.9	**0.1**	0.1
Thereafter	**100.0**	109.0	**-**	-
	183.8	190.5	**3.9**	2.3
Total operating lease commitments	**208.4**	214.8	**6.6**	4.2

NOTES TO THE ACCOUNTS (continued)

25. Financial Instruments

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, amounts owed to or from parent company, Senior Subordinated Notes, cash, deposits and investments. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group also enters into derivative transactions (principally interest rate swaps and forward foreign currency contracts) in order to manage interest rate and currency risks arising from the Group's operations and its sources of finance. The Group does not trade in financial instruments.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks as summarised below. These policies have remained unchanged since the beginning of 1999.

As permitted by FRS 13, short-term trade debtors and creditors have been omitted from the following analysis and comparative figures for 1998 have not been presented.

Interest rate risk
The Group's operations are financed principally by bank borrowings and Senior Subordinated Notes. Interest rate swaps are used to generate the desired interest rate profile and to manage the Group's exposure to interest rate fluctuations The Group's policy is to minimise its exposure to increases in interest rates on its borrowings. Accordingly, the majority of the Group's floating rate borrowings is currently hedged through the use of interest rate swaps.

As a consequence of the Group's trading activities, there is a delay between the time the Group receives cash for premiums and claims and the time the cash needs to be paid. The Group earns interest on this 'float', which is included in the Group's financial statements as investment income. This 'float' is regulated in terms of access and the instruments in which it may be invested, most of which are short-term in maturity. The Group manages the interest rate risk arising from this exposure through the use of interest rate swaps, forward rate agreements and other option based financial instruments. It is Group policy that, for currencies with significant balances, a minimum of 25% of forecast income arising is hedged for each of the next three years.

Liquidity risk
The Group's objective is to ensure that it has the ability to generate sufficient cash, either from internal or external sources, in a timely and cost-effective matter, to meet its commitments as they fall due. The Group's management of liquidity risk is embedded within its overall risk management framework. Scenario analysis is continually undertaken to ensure that its resources can comfortably meet the Group's liquidity requirements. These resources are provided by a $150m revolving credit facility which expires on 19 November 2005, but which is currently undrawn.

Foreign currency risk
The Group's objective is to maximise its cash held in US dollars. Within the UK, approximately 50% of operating revenues arise in currencies other than sterling resulting in a significant mismatch between sterling revenues and sterling expenses. The Group's policy is to convert into sterling all revenues arising in currencies other than US dollars together with sufficient US dollar revenues to fund the remaining sterling expenses. Outside the UK, only those cash flows necessary to fund mismatches between revenues and expenses are converted into local currency; amounts remitted to the UK are generally converted into sterling. These transactional currency exposures are managed by entering into forward exchange contracts and option products. It is Group policy to hedge at least 25% of the next 12 months' exposures in significant currencies.

Translational exposures are not hedged.

NOTES TO THE ACCOUNTS (continued)

25. Financial Instruments (continued)

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the Group, after taking account of interest rate swaps, at 31 December 1999 is summarised below:

Currency	Fixed rate financial liabilities			Floating rate financial liabilities	Financial liabilities on which no interest is paid		Total
	Amount £m	Weighted average interest rate %	Weighted average period for which rate is fixed Years	Amount £m	Amount £m	Weighted average period until maturity Years	£m
Sterling	-	-	-	1.6	6.4	-	8.0
US dollar	597.0	8.3	6.8	7.7	657.8	-	1,262.5
	597.0			9.3	664.2		1,270.5

Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the Group, after taking account of interest rate swaps, at 31 December 1999 is summarised below :

Currency	Fixed rate financial assets			Floating rate financial assets	Financial assets on which no interest is paid		Total
	Amount £m	Weighted average interest rate %	Weighted average period for which rate is fixed Years	Amount £m	Amount £m	Weighted average period until maturity Years	£m
Sterling	79.0	7.2	0.9	40.0	620.5	-	739.5
US dollar	867.5	7.8	4.9	144.9	6.3	-	1,018.7
Japanese yen	-	-	-	18.8	-	-	18.8
Euro	16.1	4.2	1.2	19.7	-	-	35.8
Other	-	-	-	47.4	-	-	47.4
	962.6			270.8	626.8		1,860.2

NOTES TO THE ACCOUNTS (continued)

25. Financial Instruments (continued)

Currency exposures
The table below shows the Group's currency exposures at 31 December 1999 after the effects of forward contracts and other derivatives used to manage that exposure. The amounts shown represents the net monetary assets and liabilities of the Group that are not denominated in the functional currency of the operating unit involved and so give rise to net currency gains and losses recognised in the profit and loss account.

	Net foreign currency monetary assets/(liabilities)			
Functional currency of Group operation	**Sterling £m**	**US dollar £m**	**Other £m**	**Total £m**
Sterling	-	131.8	0.5	132.3
US dollar	(23.7)	-	3.4	(20.3)
	(23.7)	131.8	3.9	112.0

Maturity of financial liabilities
The maturity profile of the Group's financial liabilities at 31 December 1999 is summarised below:

	£m
On demand or within one year or less	654.1
More than one year but not more than two years	13.1
More than two years but not more than five years	23.9
More than five years	579.4
	1,270.5

Borrowing facilities
The Group had undrawn committed facilities of £92.6m, which expire in more than five years, available to it at 31 December 1999.

NOTES TO THE ACCOUNTS (continued)

25. Financial Instruments (continued)

Fair Value
The estimated fair value of the Group's financial instruments at 31 December 1999 is summarised below:

	Book value £m	Estimated fair value £m
Primary financial instruments held or issued to finance the Group's operations		
Cash and short term deposits	329.3	329.3
Current asset investments	294.5	296.3
Amounts due from parent company	1,223.7	1,223.7
Short term bank loans and overdrafts	(1.6)	(1.6)
Amounts owed to parent company	(652.5)	(652.5)
Long term bank loans	(270.1)	(270.1)
Senior Subordinated Notes	(334.6)	(277.7)
	588.7	647.4
Derivative financial instruments held to manage interest rate and currency exposure		
Interest rate swaps - assets	-	(6.3)
- liabilities	-	16.7
Forward foreign exchange contracts	-	0.7

Market values have been used to determine the fair value of interest rate swaps, forward foreign exchange contracts and listed investments. The fair value of amounts due to and from parent company approximates book value. The fair values of all other items have been calculated by discounting expected future cash flows at prevailing interest rates.

Hedges
Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses on instruments used for hedging are as follows:

	Gains £m	Losses £m	Total net gains/ (losses) £m
Unrecognised gains and losses on hedges at 1 January 1999	14.4	(0.8)	13.6
Gains and losses arising in previous years that were recognised in 1999	(4.0)	0.4	(3.6)
Gains and losses arising before 1 January 1999 that were not recognised in 1999	10.4	(0.4)	10.0
Gains and losses arising in 1999 that were not recognised in 1999	8.4	(7.3)	1.1
Unrecognised gains and losses on hedges at 31 December 1999	18.8	(7.7)	11.1
Of which:			
Gains and losses expected to be recognised in 2000	2.3	(1.1)	1.2
Gains and losses expected to be recognised in 2001 or later	16.5	(6.6)	9.9

NOTES TO THE ACCOUNTS (continued)

26. Contingent liabilities

Assets subject to charge
The Company has entered into a debenture in favour of The Chase Manhattan Bank in which it has charged by way of a first fixed charge its interests in the shares of Willis Faber Limited, and by way of a floating charge, all its assets not otherwise effectively mortgaged, charged or assigned by the first fixed charge.

The Company has also entered into a Pledge Agreement in favour of The Chase Manhattan Bank whereby it has assigned and pledged its interest in the shares of Willis North America Inc.

Those subsidiaries which are Lloyd's brokers have each entered into a deed as required by the Lloyd's brokers' bye-law under which all insurance broking assets are subject to a floating charge held on trust by the Society of Lloyd's for the benefit of those companies' insurance broking creditors. The charge only becomes enforceable under certain circumstances as defined in the deed. The assets (including deposits and cash of £68.6m) subject to this charge at 31 December 1999 amounted to £1,877m (1998 : £1,834m) and the insurance broking creditors at that date amounted to £1,860m (1998 : £1,821m).

Financing obligations
The Company has guaranteed on a joint and several basis with other companies in the Group the prompt and complete performance of Willis North America Inc. in respect of credit facilities ("facilities") made available to that company. On 2 February 1999 $575m of the facilities were repaid and Willis North America Inc. issued $550m 9% Senior Subordinated Notes due 2009 (the "Notes"). The Company, together with its affiliate Willis Partners, has guaranteed Willis North America Inc.'s obligations in respect of the Notes. At 31 December 1999 these facilities amounted to $1,137.5m.

Other
The Company has given guarantees to bankers and other third parties amounting to £4.4m (1998 : £4.4m).

The Company has also given guarantees to bankers in respect of commitments entered into by them to provide security for membership of Lloyd's of certain Group employees who are not directors of the Company amounting to £0.3m (1998 : £0.3m).

The Company and certain of its UK subsidiaries have given the landlords of some of the leasehold properties occupied by the Group in the United Kingdom and the United States guarantees in respect of the performance of the lease obligations of the Group companies holding the leases. The operating lease obligations amounted to £111.7m at 31 December 1999 (1998 : £113.8m).

The Group has extensive international operations and the Company or its subsidiaries are subject to claims and litigation in the ordinary course of business resulting principally from alleged errors and omissions in connection with their businesses. Most of the errors and omissions claims are covered by professional indemnity insurance. In respect of self-insured deductibles applicable to such claims, the Group has established provisions which are believed to be adequate in the light of current information and legal advice. These provisions may be adjusted from time to time according to developments. The Company does not expect the outcome of such claims, either individually or in the aggregate, to have a material effect on the Group's operations or financial position.

27. Directors' remuneration

	1999 £000	1998 £000
Emoluments (excluding pension contributions and long term incentive awards)	3,289	1,546
Emoluments paid to third party in respect of a director's services	-	8
Long term incentive awards	-	328
Defined contribution scheme payments	6	6
Highest paid director		
Emoluments (excluding pension contribution and long term incentive award)	569	423
Accrued annual pension	74	46

	1999 Number	1998 Number
Directors exercising share options	-	6
Directors receiving shares under long term incentive plans	-	7
Directors eligible for defined benefit pension	7	7
Directors eligible for defined contribution pension	2	2

NOTES TO THE ACCOUNTS (continued)

28. Directors' interests

(a) R J S Bucknall, G F Nixon and J M Pelly, who held office during the year, were Underwriting Members of Lloyd's.

(b) Insurance broking subsidiaries of the Company place risks with the syndicates in which the directors participate in the normal course of their broking activities on the same basis as such subsidiaries do with other Lloyd's syndicates.

(c) The Company has given J Reeve a guarantee in respect of the performance obligations of Willis Limited, his employing company, in respect of an unfunded pension scheme established for him. The Company has also guaranteed the performance obligations of Willis North America Inc. in respect of the pension benefits for B D Johnson and K H Pinkston under the Willis Corroon Executive Supplemental Plan, an unfunded pension plan.

(d) Save as described above, no director had any interest either during or at the end of the financial year in any contract which was significant in relation to the Company's business, or in any contract, transaction or arrangement which required disclosure under section 232 of the Companies Act 1985 (as amended).

29. Related party transactions

FRS 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.

30. Parent undertaking and controlling party

The Company is a wholly-owned subsidiary of Trinity. The Company's ultimate parent company is TA I Limited and the ultimate controlling party is KKR 1996 Overseas, Limited, a company formed in the Cayman Islands.

The largest group in which the results of the Company are consolidated is that headed by TA I Limited, with the smallest group being headed by Trinity. The consolidated accounts for these groups are available from the Company Secretary, Ten Trinity Square, London EC3P 3AX.