WILLIS GROUP LIMITED

2000 ANNUAL REPORT AND ACCOUNTS

Directors

JJ Plumeri - Executive Chairman
K H Pinkston – Vice Chairman
R J S Bucknall
T Colraine
B D Johnson
P Lucas (non-executive)
JM McSweeny
J M Pelly

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

Directors' report
for the year ended 31 December 2000

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.

Performance review

The Group's profit before tax for 2000 was £129.7 million, compared with £62.3 million before exceptional items reported for 1999. After excluding the effects of foreign currency exchange rate movements, the loss of revenues from businesses sold and the revenues gained from acquisitions, the Group's underlying profit before interest and tax increased by 49%.

The Group's operating revenues for the year were £861.0 million compared with £766.4 million for 1999, an increase of 12%. At constant exchange rates and adjusting for businesses acquired and sold, operating revenues rose by 7% in underlying terms.

The results reflect improved new business and firming premium rates together with the benefits of effective expense controls and operational improvement initiatives.

We have continued during 2000 the expansion of our global distribution platform with the acquisition of a majority holding in Sev Dahl's Assurancekontor AS, the third largest insurance broker in Norway. In addition, we have strengthened our management and production capabilities in Singapore and Korea, re-entered the South African market and acquired a 51% interest in SumaCorredores de Seguros S.A., the second largest insurance broker in Colombia.

In February 2001, we acquired 100% of Bradstock G.I.S. Pty Limited in Australia which we merged with an existing Australian operation to provide greater scale and depth of management. We also strengthened our insurance broking operations in Northern Ireland with the acquisition of McGuire Insurances Limited in January 2001.

Directors

The present directors of the Company are named on page 1 and held office throughout the year, with the exception of J J Plumeri and J M McSweeny. J J Plumeri was appointed Executive Chairman, Chief Executive Officer and a director on 15 October 2000. J M McSweeny was appointed a director on 1 September 2000.

J Reeve resigned as Executive Chairman and a director on 15 October 2000 and GF Nixon resigned as Vice Chairman and a director on 31 December 2000.

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 2000 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			
	1.1.2000 (or date of appointment)	31.12.2000	1.1.2000 (or date of appointment)	Granted	Exercised	31.12.00
R J S Bucknall	85,000	167,725	460,000	187,500	45,225	602,275
T Colraine	52,375	68,964	447,625	-	16,589	431,036
B D Johnson	160,000	160,000	400,000	-	-	400,000
P Lucas	50,000	50,000	-	-	-	-
J M McSweeney	22,500	22,500	448,644	-	-	448,644
G F Nixon	100,000	100,000	460,000	-	-	460,000
J M Pelly	100,000	185,000	460,000	125,000	60,000	525,000
K H Pinkston	100,000	100,000	400,000	-	-	400,000

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

Directors' report
for the year ended 31 December 2000 (continued)

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.

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; and

(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

An elective resolution dispensing with the requirement to reappoint auditors annually was approved by shareholders at an Extraordinary General Meeting held in January 2000.

Deloitte & Touche are willing to continue in office and the directors have agreed to their so continuing.

By order of the Board

M P Chitty
Secretary
Ten Trinity Square
London EC3P 3AX

2 April 2001

Auditors' Report to the members of Willis Group Limited

We have audited the financial statements 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 financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of 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 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 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 affairs of the Company and of the Group as at 31 December 2000 and of the profit 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

2 April 2001

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2000

	Note	2000	Before exceptional items 1999	Exceptional items (Note 5) 1999	1999
			(£ million)		
Brokerage and fees (including acquisitions of £1.9 million)		**816.0**	727.8	-	727.8
Interest and investment income (including acquisitions of £0.3 million)	2	**45.0**	38.6	-	38.6
Operating revenues		**861.0**	766.4	-	766.4
Operating expenses (including acquisitions £2.4 million)		**(731.1)**	(714.8)	(54.6)	(769.4)
Operating profit/(loss) (including acquisitions £(0.2) million)	3	**129.9**	51.6	(54.6)	(3.0)
Share of profit of associates	4	**4.6**	6.6	-	6.6
(Loss)/profit on disposal/closure of operations		**(5.1)**	1.5	-	1.5
Interest receivable	6	**58.2**	56.8	-	56.8
Interest payable (including associates £nil)	7	**(57.9)**	(54.2)	-	(54.2)
Profit on ordinary activities before taxation		**129.7**	62.3	(54.6)	7.7
Tax on profit on ordinary activities	9	**(36.8)**			(11.1)
Profit/(loss) on ordinary activities after taxation		**92.9**			(3.4)
Minority interests		**(1.5)**			(3.0)
Profit/(loss) for the financial year		**91.4**			(6.4)
Dividends	10	**(72.7)**			(74.8)
Retained profit/(loss)	22	**18.7**			(81.2)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2000

	2000 (£ million)	1999 (£ million)
Profit/(loss) for the financial year		
Parent and subsidiaries	**89.2**	(11.1)
Associates	**2.2**	4.7
	91.4	(6.4)
Currency translation differences		
Subsidiaries	**(41.9)**	(4.9)
Associates	**0.2**	(1.3)
	(41.7)	(6.2)
Total recognised gains and losses for the financial year	**49.7**	(12.6)

GROUP CASH FLOW STATEMENT
for the year ended 31 December 2000

	Note	2000	2000	1999	1999
			(£ million)		
Net cash inflow from operating activities	11		206.4		130.4
Dividends from associates			3.2		2.2
Returns on investments and servicing of finance					
Interest paid		(56.0)		(44.8)	
Interest received		58.5		47.8	
Bank fees on borrowings		(0.6)		(4.7)	
Minority dividend paid		(0.6)		(1.1)	
Net cash inflow/(outflow) for returns on investment and servicing of finance			1.3		(2.8)
Taxation			(18.0)		(12.8)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(19.9)		(25.1)	
Sale of tangible fixed assets		4.6		6.4	
Purchase of fixed asset investments		(1.5)		(0.2)	
Sale of fixed asset investments		-		0.8	
Net cash outflow for capital expenditure and financial investment			(16.8)		(18.1)
Acquisitions and disposals					
Purchase of subsidiaries	14	(9.0)		(10.2)	
Purchase of associates		(0.8)		(10.6)	
Sale of subsidiaries	14	0.3		9.0	
Net cash transferred on purchase/sale of subsidiaries		3.7		1.3	
Net cash outflow for acquisitions and disposals			(5.8)		(10.5)
Equity dividends paid			(13.1)		(9.9)
Cash flow before management of liquid resources and financing			157.2		78.5
Management of liquid resources	11		(32.5)		(43.3)
Financing					
Issue of ordinary shares		6.4		2.5	
Amounts due from parent company	11	20.5		23.0	
Amounts due to parent company	11	(80.4)		(47.1)	
Debt due within a year : decrease in short-term borrowings	11	-		(351.0)	
Issue of 9.1% Senior Subordinated Notes due 2009	11	-		333.3	
Debt due beyond a year : decrease in long-term borrowings	11	(20.9)		(11.4)	
Net cash outflow from financing			(74.4)		(50.7)
Increase/(decrease) in cash	11		50.3		(15.5)

BALANCE SHEETS
at 31 December 2000

	Note	Group 2000	Group 1999	Company 2000	Company 1999
		(£ million)			
Fixed assets					
Intangible assets	12	**35.2**	30.1	**-**	-
Tangible assets	13	**128.0**	135.7	**-**	-
Investments	14	**4.7**	6.7	**109.1**	109.8
Investments in associates	15	**40.0**	39.9	**-**	-
		207.9	212.4	**109.1**	109.8
Current assets					
Debtors	16	**4,511.8**	3,878.6	**696.4**	706.6
Investments	17	**318.4**	268.0	**-**	-
Deposits and cash		**427.1**	363.5	**0.1**	7.8
		5,257.3	4,510.1	**696.5**	714.4
Current liabilities					
Creditors : amounts falling due within one year	18	**(4,591.7)**	(3,843.8)	**(292.5)**	(277.9)
Net current assets		**665.6**	666.3	**404.0**	436.5
Total assets less current liabilities		**873.5**	878.7	**513.1**	546.3
Creditors : amounts falling due after more than one year	19	**(670.2)**	(641.3)	**-**	-
Provisions for liabilities and charges	20	**(105.1)**	(124.5)	**-**	-
		98.2	112.9	**513.1**	546.3
Capital and reserves					
Called up share capital	21	**59.9**	59.5	**59.9**	59.5
Share premium	22	**124.0**	118.0	**124.0**	118.0
Revaluation reserve	22	**14.9**	14.9	**-**	-
Profit and loss account	22	**(113.4)**	(90.6)	**329.2**	368.8
Equity shareholders' funds		**85.4**	101.8	**513.1**	546.3
Equity minority interests		**12.8**	11.1	**-**	-
		98.2	112.9	**513.1**	546.3

Approved on behalf of the Board on 2 April 2001

[signature]

T Colraine
Group Chief Financial Officer

ACCOUNTING POLICIES

Basis of preparation
The Group financial statements 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 financial statements comply with accounting standards applicable in the United Kingdom.

Basis of consolidation
The Group financial statements incorporate those of the Company and its subsidiaries based on financial statements drawn up to 31 December. Interests of outside shareholders in non-wholly owned subsidiaries are shown as minority interests. Associates, being those entities in which the Group has a long-term equity interest and over which it exercises significant influence, are included on the basis of the Group's proportion of the operating profit and loss, interest expense, taxation and net assets (the "equity method"). 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 straight-line basis over its estimated 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 and, as permitted by Financial Reporting Standard ("FRS") 10, has not been reinstated. 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
Revenue includes brokerage, fees for services rendered, certain brokerage receivable from insurance carriers and interest income.

The Group takes credit for brokerage (or fees negotiated in lieu of brokerage) in respect of insurance placements at the date when the insured is billed or at the inception date of the policy, whichever is later. Brokerage on additional premiums and adjustments are recognised as and when advised. Fees for consulting services are generally recorded on completion of the project. Fees for other services are recognised over the period for which the services are rendered.

Brokerage receivable from insurance carriers such as brokerage contingent on the performance of insurance policies placed are recognised at the earlier of the date when cash is received, or when formal, written notification of the actual amount due is received from the insurance carrier. If some of the brokerage received is potentially subject to full or partial repayment to the insurance carrier, then recognition is deferred until the conditions for repayment have passed. Interest income is recognised as earned.

Insurance broking debtors and creditors
Insurance brokers usually act as agents in placing the insurable risks of their clients with insurers 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.

Funds held in connection with insurance broking transactions are generally required to be held in regulated bank accounts subject to local operating guidelines and are not generally available for purposes other than settling insurance broking transactions.

Currency translation
Transactions in currencies other than the reporting currency of the entity 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 profit, at the contracted rate. Assets and liabilities in foreign currencies are translated into the reporting currency at the rates of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

On consolidation, the results of subsidiaries and associates whose reporting currency is other than pounds sterling, are translated into pounds sterling at the average rates of exchange and assets and liabilities are translated at year-end rates. Translation adjustments arising are taken to reserves. Exchange differences arising on foreign currency borrowings taken out to provide a hedge against the exchange risk associated with those investments are also taken to reserves.

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 lesser of the useful life of the assets or the remaining period of the lease. Depreciation on fixed plant, furniture and equipment is provided at rates between 4% and 33.3% per annum. Vehicles are depreciated over a period of up to 4 years. 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 financial instruments for other than trading purposes to alter the risk profile of an existing underlying exposure. Interest rate swaps are used to manage interest risk exposures and amounts payable are recognised in interest income or expense on an accrual basis based on the terms of the agreement and the interest rates prevailing at that time. 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
for the year ended 31 December 2000

1. Segmental analysis

Geographical analysis	2000	1999
	(£ million)	
Brokerage and fees (by location of client (a))		
United Kingdom	178.4	163.2
North America	433.2	391.0
Rest of the World	204.4	173.6
	816.0	727.8
Brokerage and fees (by location of company)		
United Kingdom	315.6	280.6
North America	406.5	359.7
Rest of the World	93.9	87.5
	816.0	727.8
Operating revenues (by location of company)		
United Kingdom	344.7	306.4
North America	419.7	370.9
Rest of the World	96.6	89.1
	861.0	766.4
Operating profit/(loss) (by location of company) (b)		
United Kingdom	65.1	(25.2)
North America	51.9	5.4
Rest of the World	12.9	16.8
	129.9	(3.0)
Net assets		
United Kingdom	(110.0)	(29.1)
North America	85.9	73.9
Rest of the World	122.3	68.1
	98.2	112.9

(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/(loss) is stated after charging exceptional items of £nil (1999 : £40.4 million) in the United Kingdom and £nil (1999 : £14.2 million) in North America.

2. Interest and investment income

	2000	1999
	(£ million)	
Interest receivable	32.5	28.1
Investment income	12.5	10.5
	45.0	38.6

NOTES TO THE ACCOUNTS
for the year ended 31 December 2000 (continued)

3. Operating profit/(loss)		2000	1999
		(£ million)	
The operating profit/(loss) was arrived at after charging :			
Auditors' remuneration	Audit fees	1.0	0.9
	Other services provided by auditors in the UK	0.2	0.7
Depreciation	Owned assets	24.5	25.2
Amortisation of goodwill		2.2	1.6
Operating lease rentals	Land and buildings	36.8	34.3
	Equipment	6.8	5.2

4. Share of profit of associates

The share of profit of associates includes amortisation of goodwill amounting to £1.4 million (1999 : £1.4 million).

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.

Provisions totalling £40.0 million were established in 1999 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 adequate.

(ii) Restructuring charges
A charge of £10.5 million was made in 1999 to cover the costs of implementing changes to business processes in the North American operations during 2000. The charge comprised £4.0 million for redundancy payments covering 275 employees and £6.5 million 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 £4.1 million were written off during 1999.

(iv) Loss on closure/disposal of operations
In 2000, the Group developed a plan to exit certain business lines, including the sale of the municipality business of Public Entities National Corporation, part of the US wholesale operations, and the sale of certain other non-strategic businesses. The loss on disposal/closure of operations comprises £2.8 million of redundancy costs and £2.3 million of excess operating lease obligations and other closure costs relating to these plans.

6. Interest receivable	2000	1999
	(£ million)	
Interest receivable from parent company	58.2	56.1
Other interest receivable	-	0.7
	58.2	56.8

7. Interest payable	2000	1999
	(£ million)	
Bank loans and overdrafts	55.9	53.1
Amortisation of bank fees	1.3	1.1
Other	0.7	-
	57.9	54.2

8. Employees	2000	1999
	(£ million)	
Salaries and associated expenses		
Salaries	429.8	396.2
Social security costs	31.1	27.4
Other pension costs	13.4	20.1
	474.3	443.7

NOTES TO THE ACCOUNTS
for the year ended 31 December 2000 (continued)

8. Employees (continued)

Number of Group employees	Average for year 2000	1999
	(number)	
United Kingdom	3,690	3,695
North America	3,918	4,324
Rest of the World	2,162	1,427
	9,770	9,446

9. Tax on profit on ordinary activities

	2000	1999
	(£ million)	
Charge for the year		
UK corporation tax at 30% (1999 : 30.25%)	16.4	12.0
Overseas tax	21.8	11.9
Deferred tax	(3.1)	(14.2)
Over provision in prior years	(0.7)	(0.5)
	34.4	9.2
Associates	2.4	1.9
	36.8	11.1

The deferred tax credit for 1999 includes £6.0 million utilisation of UK deferred tax liabilities relating to depreciable assets and overseas distributed profits and the creation of a £4.6 million US deferred tax asset with respect to the North American restructuring charges.

The total tax charge for 2000 includes a credit of £nil (1999 : £7.4 million) relating to exceptional items.

The tax charge for 1999 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 that year. The tax charge for 2000 is lower than the statutory rate due to the Group's ability to obtain tax relief on the partial utilisations of those provisions in the year.

10. Dividends

	2000	1999
	(£ million)	
First interim	42.6	61.1
Second interim	30.1	13.7
	72.7	74.8

11. Notes to Group cash flow statement

	2000	1999
	(£ million)	
Reconciliation of operating profit/(loss) to net cash flow from operating activities		
Operating profit/(loss)	129.9	(3.0)
Exceptional items	-	54.6
Cash outflow on exceptional items	(19.4)	(13.0)
Depreciation charges, loss on sale of tangible fixed assets and unlisted investments	27.1	28.6
Amortisation of goodwill	2.2	1.6
Provision against unlisted investments	1.5	-
Increase in debtors	(559.2)	(60.6)
Increase in creditors	631.0	120.1
Net movement on provisions	(6.7)	2.1
Net cash inflow from operating activities	206.4	130.4

NOTES TO THE ACCOUNTS
for the year ended 31 December 2000 (continued)

11. Notes to Group cash flow statement (continued)

Reconciliation of net cash flow to movement in net funds	1 January 2000	Cash flow	Other non-cash movements	Exchange movement	31 December 2000
			(£ million)		
Cash					
Deposits and cash	363.5	57.0	-	6.6	427.1
Deduct deposits classified as liquid resources	(253.0)	(7.4)	-	(4.8)	(265.2)
	110.5	49.6	-	1.8	161.9
Overdrafts	(9.3)	0.7	-	(0.1)	(8.7)
	101.2	50.3	-	1.7	153.2
Liquid resources					
Current asset investments	268.0	25.1	-	25.3	318.4
Deposits	253.0	7.4	-	4.8	265.2
	521.0	32.5	-	30.1	583.6
Borrowings					
Debt due beyond a year : decrease in long-term borrowings	(270.1)	20.9	-	(22.5)	(271.7)
Issue of 9% Senior Subordinated Notes due 2009	(339.5)	-	-	(27.2)	(366.7)
Amounts owed by parent company	1,223.7	(20.5)	-	49.6	1,252.8
Amounts owed to parent company	(646.2)	80.4	(67.2)	(45.8)	(678.8)
	(32.1)	80.8	(67.2)	(45.9)	(64.4)
Net funds	590.1	163.6	(67.2)	(14.1)	672.4
Net funds movements in 1999	486.5	81.0	32.6	(10.0)	590.1

Amounts in the 1999 cashflow have been restated to reflect a reclassification of £8.1 million between overdrafts and liquid resources, thus changing the decrease in cash in the year from £7.4 million to £15.5 million. Net funds are unaffected by this reclassification.

12. Intangible assets	Goodwill
	(£ million)
Cost or valuation	
1 January 2000	32.0
Exchange adjustments	0.3
Arising from acquisitions	7.0
31 December 2000	39.3
Amortisation	
1 January 2000	(1.9)
Provided in the year	(2.2)
31 December 2000	(4.1)
Net book value	
31 December 2000	35.2
31 December 1999	30.1

NOTES TO THE ACCOUNTS
for the year ended 31 December 2000 (continued)

13. Tangible assets

	Land and buildings	Furniture equipment and vehicles	Total
		(£ million)	
Cost or valuation			
1 January 2000	92.7	127.8	220.5
Exchange adjustments	0.7	2.9	3.6
Additions	3.3	16.6	19.9
Disposals	(3.1)	(18.7)	(21.8)
Arising from acquisitions	-	1.9	1.9
31 December 2000	93.6	130.5	224.1
Depreciation			
1 January 2000	(15.6)	(69.2)	(84.8)
Exchange adjustments	-	(1.1)	(1.1)
Provided in the year	(5.2)	(19.3)	(24.5)
Disposals	1.5	14.1	15.6
Arising from acquisitions	-	(1.3)	(1.3)
31 December 2000	(19.3)	(76.8)	(96.1)
Net book value			
31 December 2000	74.3	53.7	128.0
31 December 1999	77.1	58.6	135.7

Net book value of land and buildings	2000	1999
	(£ million)	
Freehold Land	18.1	18.1
Freehold Buildings	42.7	44.8
Leasehold Short	13.5	14.2
	74.3	77.1

The transitional rules of FRS 15 'Tangible fixed assets' have been adopted for Group properties, which permit the retention of the carrying values at the previously revalued amounts. The Group's principal properties, valued at 31 December 1995, will not be subject to further revaluations. Other fixed assets are shown at historical cost to the Group. Any impairment in the value of fixed assets is charged to the profit and loss account in accordance with FRS 11 'Impairment of fixed assets and goodwill'.

The Group's principal freehold properties were valued at 31 December 1995 on the basis of open market value for existing use. The carrying value of these revalued properties, at 31 December 2000 was £57.3 million (1999 : £57.7 million), and the accumulated depreciation was £9.1 million (1999 : £7.7 million). On an historical cost basis these properties would be included at cost of £57.1 million (1999: £57.1million) less accumulated depreciation of £23.7 million (1999: £21.8 million).

No tax would be payable on the realisation of revalued properties at their net funds value by virtue of available capital loss carryforwards.

NOTES TO THE ACCOUNTS
for the year ended 31 December 2000 (continued)

14. Investments held as fixed assets

Group	TA I shares	Other investments	Total
		(£ million)	
Cost			
1 January 2000	3.6	4.2	7.8
Exchange adjustments	0.2	(0.1)	0.1
Additions	-	1.5	1.5
Disposals	(1.3)	(1.1)	(2.4)
31 December 2000	2.5	4.5	7.0
Provisions			
1 January 2000	(1.1)	-	(1.1)
Exchange adjustments	(0.1)	-	(0.1)
Provided in the year	-	(1.5)	(1.5)
Amortisation	(0.7)	-	(0.7)
Disposals	1.1	-	1.1
31 December 2000	(0.8)	(1.5)	(2.3)
Net book value			
31 December 2000	1.7	3.0	4.7
31 December 1999	2.5	4.2	6.7

At 31 December 2000 the Group's employee share ownership plans held 1,253,411 (1999: 1,780,906) management ordinary shares in TA I Limited. These shares are not listed on any stock exchange.

Company	Subsidiaries	TA I shares	Other investments	Total
		(£ million)		
Cost				
1 January 2000	107.8	2.1	0.5	110.4
Disposals	-	(1.0)	-	(1.0)
31 December 2000	107.8	1.1	0.5	109.4
Provisions				
1 January 2000	-	(0.6)	-	(0.6)
Amortisation	-	(0.4)	-	(0.4)
Disposals	-	0.7	-	0.7
31 December 2000	-	(0.3)	-	(0.3)
Net book value				
31 December 2000	107.8	0.8	0.5	109.1
31 December 1999	107.8	1.5	0.5	109.8

NOTES TO THE ACCOUNTS
for the year ended 31 December 2000 (continued)

14. Investments held as fixed assets (continued)

Acquisitions and disposals of subsidiaries	Acquisitions	Disposals
	(£ million)	
Net assets acquired and disposed of		
Tangible assets	0.5	-
Fixed asset investments	0.3	-
Debtors	13.5	-
Cash	3.7	-
Creditors	(15.0)	(0.1)
	3.0	(0.1)
Goodwill acquired/written off	7.0	0.2
Minority interest	(1.7)	-
Profit on disposal	-	0.2
Total cost/proceeds	8.3	0.3
Satisfied by		
Cash	5.7	0.1
Deferred consideration	2.6	0.2
	8.3	0.3

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 £9.0 million shown as "Purchase of subsidiaries" in the Group Cash Flow Statement includes £3.3 million relating to deferred consideration paid during 2000 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 £0.3 million shown as "Sale of subsidiaries" in the Group Cash Flow Statement includes £0.2 million relating to deferred consideration received during 2000 in respect of disposals completed in prior years.

Subsidiaries
The principal subsidiaries, all of which are wholly owned, at 31 December 2000 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
for the year ended 31 December 2000 (continued)

15. Investments in associates

Group	Net asset value	Goodwill	Total
		(£ million)	
Cost			
1 January 2000	13.8	28.2	42.0
Exchange and other adjustments	0.2	-	0.2
Additions	0.4	0.5	0.9
Share of retained profit of associates	0.4	-	0.4
31 December 2000	14.8	28.7	43.5
Provisions			
1 January 2000	-	(2.1)	(2.1)
Amortisation of goodwill	-	(1.4)	(1.4)
31 December 2000	-	(3.5)	(3.5)
Net book value			
31 December 2000	14.8	25.2	40.0
31 December 1999	13.8	26.1	39.9

The Group's share of profit retained by associates at 31 December 2000 amounted to £9.1 million (1999: £8.5 million).

Associates
The principal associates at 31 December 2000 were :

Group	Country of incorporation	Nature of business	Proportion of shares held %
Al-Futtaim Willis Faber (Private) Limited	Dubai	Insurance broking	49
Jaspers Wuppesahl Industrie Assekuranz GmbH & Co. KG	Germany	Insurance broking	45
Gras Savoye & Cie	France	Insurance broking	33
Willis A/S	Denmark	Insurance broking	30
Herzfeld & Levy SA	Argentina	Insurance broking	40

NOTES TO THE ACCOUNTS
for the year ended 31 December 2000 (continued)

16. Debtors	Group		Company	
	2000	1999	2000	1999
		(£ million)		
Due within one year				
Trade debtors	3,086.9	2,507.2	-	-
Amounts owed by parent company	614.5	614.1	239.7	239.7
Amounts owed by subsidiaries	-	-	185.0	214.6
Amounts owed by associates	0.2	0.6	-	-
Corporate tax	0.5	1.0	0.5	0.6
Prepayments and accrued income	89.4	67.9	-	0.5
Other debtors	29.2	29.6	4.5	4.3
	3,820.7	3,220.4	429.7	459.7
Due after more than one year				
Trade debtors	6.1	12.7	-	-
Amounts owed by parent company	638.3	609.6	-	-
Amounts owed by subsidiaries	-	-	266.7	246.9
Other debtors	34.4	27.7	-	-
Deferred taxation (below)	12.3	8.2	-	-
	691.1	658.2	266.7	246.9
Total debtors	4,511.8	3,878.6	696.4	706.6

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	2000	1999
	(£ million)	
The deferred tax assets/(liabilities) arise from :		
Capital allowances	(8.4)	(9.3)
Timing differences	20.7	17.5
31 December 2000	12.3	8.2

	Group	
17. Investments held as current assets	2000	1999
	(£ million)	
Listed investments (market value £42.2 million (1999 : £39.2 million))	41.7	40.1
Unlisted investments	276.7	227.9
	318.4	268.0

Listed investments mainly comprise investments that were purchased with the intention of holding to maturity. Unlisted investments comprise commercial paper and certificates of deposit.

The Company held no current asset investments.

NOTES TO THE ACCOUNTS
for the year ended 31 December 2000 (continued)

18. Creditors : amounts falling due within one year

	Group		Company	
	2000	1999	2000	1999
	(£ million)			
Bank loans and overdrafts	8.7	9.3	-	-
Trade creditors	3,655.8	2,985.6	-	-
Amounts due to parent company	678.8	646.2	281.4	266.3
Corporate tax	41.6	29.8	2.9	3.8
Income tax and social security	10.2	8.4	-	-
Accruals and deferred income	86.3	66.7	0.5	0.5
Other creditors	110.3	97.8	7.7	7.3
	4,591.7	3,843.8	292.5	277 9

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

	Group	
	2000	1999
	(£ million)	
Bank loans	271.7	270.1
9% Senior Subordinated Notes due 2009	362.6	334.6
Trade creditors	3.5	11.7
Accruals and deferred income	1.2	1.5
Other creditors	31.2	23.4
	670.2	641.3
Bank loans repayable		
between one and two years	-	1.4
between two and three years	-	6.3
between three and four years	7.3	8.2
between four and five years	62.9	9.4
Thereafter	201.5	244.8
	271.7	270.1

During 1999 and 2000, the Group repaid $12.5 million and $30.0 million of Term Loans respectively.

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 Group has a Revolving Credit Facility of $150 million which is available until 2005. At 31 December 2000 the balance drawn on this facility was £nil (1999 : £nil).

NOTES TO THE ACCOUNTS
for the year ended 31 December 2000 (continued)

20. Provisions for liabilities and charges

Provisions	Claims (i)	Pensions review (ii)	Surplus properties (iii)	Discontinued operations (iv)	Total
			(£ million)		
1 January 2000	34.5	47.7	19.2	23.1	124.5
Exchange and other adjustments	0.5	-	0.5	1.7	2.7
Profit and loss account movements	9.6	-	0.7	-	10.3
Used in the year	(9.7)	(13.7)	(5.0)	(4.0)	(32.4)
31 December 2000	34.9	34.0	15.4	20.8	105.1

(i) The claims provisions include estimates for liabilities that may arise from potential claims for errors and omissions.

(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

	2000 Number	1999 Number
	(million)	
Authorised share capital		
Ordinary shares of 12.5p each	528	528

Allotted and fully paid	Number (million)	Amount (£ million)
1 January 2000	476.1	59.5
Other issues	3.2	0.4
31 December 2000	479.3	59.9

Trinity Acquisition Limited has the right to convert the preferred shares it holds in a subsidiary of Willis Group Limited into 563,580 ordinary shares in the Company at any time up to 31 December 2002.

During the year 3,193,117 ordinary shares of the Company, with an aggregate nominal value of £399,140, were issued fully paid for cash of £6.4 million.

NOTES TO THE ACCOUNTS
for the year ended 31 December 2000 (continued)

22. Reserves

Group	Share capital	Share premium	Revaluation reserve	Profit and loss account	Total
			(£ million)		
1 January 2000	59.5	118.0	14.9	(90.6)	101.8
Ordinary shares issued	0.4	6.0	-	-	6.4
Goodwill reinstated on disposals	-	-	-	0.2	0.2
Retained profit	-	-	-	18.7	18.7
Exchange and other adjustments	-	-	-	(41.7)	(41.7)
31 December 2000	59.9	124.0	14.9	(113.4)	85.4
1 January 1999	53.6	28.5	14.9	(8.0)	89.0
Ordinary shares issued	5.9	89.5	-	-	95.4
Goodwill previously reinstated on disposals	-	-	-	4.8	4.8
Retained loss	-	-	-	(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

The cumulative amount of goodwill eliminated in 1997 and earlier financial years, net of goodwill relating to subsidiaries disposed of, amounted to £537.1 million (1999 : £537.3 million).

Company	Share capital	Share premium	Revaluation reserve	Profit and loss account	Total
			(£ million)		
1 January 2000	59.5	118.0	-	368.8	546.3
Ordinary shares issued	0.4	6.0	-	-	6.4
Retained loss	-	-	-	(39.6)	(39.6)
31 December 2000	59.9	124.0	-	329.2	513.1

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

The profit dealt with in the accounts of the Company amounted to £33.2 million (1999: £32.7 million). 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 2000. The major assumption is that the rate of return on investments would exceed salary inflation by between 4.0% and 6.0% per annum. The market value of the investments at the respective dates of the latest actuarial valuations was £950 million and the actuarial value of the investments was sufficient to cover approximately 111% of the benefits that had accrued to members after allowing for expected future salary increases.

NOTES TO THE ACCOUNTS
for the year ended 31 December 2000 (continued)

24. Commitments

Capital commitments

The Group had contracted for capital expenditure at 31 December 2000 of £1.7 million (1999 : £2.3 million).

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 £169.3 million (1999 : £152.6 million). 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 2000, the Group had entered into forward foreign exchange contracts amounting to approximately £131.0 million (1999 : £68.0 million).

Operating lease commitments	Land and buildings		Other	
Payments committed to be made by the Group	2000	1999	2000	1999
		(£ million)		
Within one year for leases expiring				
in less than one year	2.5	2.0	0.4	0.4
between one and five years	12.1	11.6	4.0	3.5
after five years	18.0	15.9	0.2	-
	32.6	29.5	4.6	3.9

At 31 December 2000, the aggregate future minimum rental commitments under all non-cancellable operating lease agreements are as follows:

	Gross rental commitments	Rentals from subleases	Net rental commitments
		(£ million)	
2001	37.2	(3.3)	33.9
2002	32.1	(2.7)	29.4
2003	26.6	(1.4)	25.2
2004	22.4	(1.1)	21.3
2005	19.2	(1.1)	18.1
Thereafter	95.1	(5.9)	89.2
	232.6	(15.5)	217.1

Rent expense amounted to £43.6 million (1999 : £39.5 million). The Group's rental income from subleases was £2.6 million (1999 : £1.8 million)

NOTES TO THE ACCOUNTS
for the year ended 31 December 2000 (continued)

25. Financial Instruments

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, amounts owed to or from the 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 hold financial instruments for trading purposes.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit 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.

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 manner, 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 supplemented by a $150 million 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
for the year ended 31 December 2000 (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 is summarised below:

Currency	Fixed rate financial liabilities			Floating rate financial liabilities	Financial liabilities on which no interest is paid		Total
	Amount	Weighted average interest rate	Weighted average period for which rate is fixed	Amount	Amount	Weighted average period until maturity	
	(£ million)	%	(years)	(£ million)	(£ million)	(years)	(£ million)
At 31 December 2000							
Sterling	-	-	-	0.4	2.1	-	2.5
US dollar	619.2	8.1	6.0	15.0	680.0	-	1,314.2
Other	-	-	-	8.3	0.3	-	8.6
	619.2			23.7	682.4		1,325.3
At 31 December 1999							
Sterling	-	-	-	1.6	5.4	-	7.0
US dollar	597.0	8.3	6.8	7.7	651.5	-	1,256.2
Other	-	-	-	7.7	1.0	-	8.7
	597.0			17.0	657.9		1,271.9

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 is summarised below :

Currency	Fixed rate financial assets			Floating rate financial assets	Financial assets on which no interest is paid		Total
	Amount	Weighted average interest rate	Weighted average period for which rate is fixed	Amount	Amount	Weighted average period until maturity	
	(£ million)	%	(years)	(£ million)	(£ million)	(years)	(£ million)
At 31 December 2000							
Sterling	89.0	6.40	0.7	47.4	617.5	-	753.9
US dollar	891.9	7.94	4.5	225.1	1.5	-	1,118.5
Japanese yen	-	-	-	12.7	-	-	12.7
Euro	11.3	4.00	0.5	31.2	-	-	42.5
Other	-	-	-	75.5	1.3	-	76.8
	992.2			391.9	620.3		2,004.4
At 31 December 1999							
Sterling	79.0	7.20	0.9	40.0	620.5	-	739.5
US dollar	867.5	8.11	4.9	152.6	6.3	-	1,026.4
Japanese yen	-	-	-	18.8	-	-	18.8
Euro	16.1	4.20	1.2	19.7	-	-	35.8
Other	-	-	-	47.4	-	-	47.4
	962.6			278.5	626.8		1,867.9

NOTES TO THE ACCOUNTS
for the year ended 31 December 2000 (continued)

25. Financial Instruments (continued)

Currency exposures
The table below shows the Group's currency exposures after the effects of forward contracts and other derivatives used to manage that exposure. The amounts shown represent 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	US dollar	Other	Total
		(£ million)		
At 31 December 2000				
Sterling	-	75.8	0.6	76.4
US dollar	(21.4)	-	3.8	(17.6)
	(21.4)	75.8	4.4	58.8
At 31 December 1999				
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 is summarised below:

	2000	1999
	(£ million)	
On demand or within one year or less	687.5	655.5
More than one year but not more than two years	3.5	13.1
More than two years but not more than five years	70.2	23.9
More than five years	564.1	579.4
	1,325.3	1,271.9

Borrowing facilities
The Group had undrawn committed facilities of £102.7 million, of which £100.0 million expires in more than five years, available at 31 December 2000 (1999 : £92.6 million).

NOTES TO THE ACCOUNTS
for the year ended 31 December 2000 (continued)

25. Financial Instruments (continued)

Fair Value

The estimated fair value of the Group's financial instruments is summarised below:

	Book value		Estimated fair value	
	2000	1999	2000	1999
	(£ million)			
Primary financial instruments held or issued to finance the Group's operations				
Cash and short term deposits	**427.1**	363.5	**427.1**	363.5
Current asset investments	**318.4**	268.0	**318.7**	267.2
Trade debtors falling due after more than one year	**6.1**	12.7	**6.1**	12.7
Amounts due from parent company	**1,252.8**	1,223.7	**1,214.3**	1,166.9
Short term bank loans and overdrafts	**(8.7)**	(9.3)	**(8.7)**	(9.3)
Trade creditors falling due after more than one year	**(3.5)**	(11.7)	**(3.5)**	(11.7)
Amounts owed to parent company	**(678.8)**	(646.2)	**(678.8)**	(646.2)
Long term bank loans	**(271.7)**	(270.1)	**(271.7)**	(270.1)
Senior Subordinated Notes	**(362.6)**	(334.6)	**(324.1)**	(277.7)
	679.1	596.0	**679.4**	595.3
Derivative financial instruments held to manage interest rate and currency exposure				
Interest rate swaps - assets	**-**	-	**10.5**	16.9
- liabilities	**-**	-	**(1.2)**	(6.4)
Forward foreign exchange contracts - assets	**2.2**	2.0	**2.2**	2.0
- liabilities	**(2.9)**	(1.4)	**(2.9)**	(1.4)

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 classified as falling due within one year 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:

31 December 2000	Gains	Losses	Total net gains/ (losses)
		(£ million)	
Unrecognised gains and losses on hedges at 1 January 2000	18.8	(7.7)	11.1
Gains and losses arising in previous years that were recognised in 2000	(2.1)	1.0	(1.1)
Gains and losses arising before 1 January 2000 that were not recognised in 2000	16.7	(6.7)	10.0
Gains and losses arising in 2000 that were not recognised in 2000	(4.0)	2.6	(1.4)
Unrecognised gains and losses on hedges at 31 December 2000	12.7	(4.1)	8.6
Of which:			
Gains and losses expected to be recognised in 2001	1.4	(3.0)	(1.6)
Gains and losses expected to be recognised in 2002 or later	11.3	(1.1)	10.2

31 December 1999	Gains	Losses	Total net gains/ (losses)
		(£ million)	
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
for the year ended 31 December 2000 (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.

The floating charge in favour of the Society of Lloyd's over the insurance broking assets of the subsidiaries which are Lloyd's brokers was released on 3 July 2000.

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 made available to that company. In addition, the Company, together with its affiliate Willis Partners, has guaranteed Willis North America Inc.'s obligations in respect of the $550 million 9% Senior Subordinated Notes due 2009. At 31 December 2000 these guarantees amounted to $1,107.5 million (1999 : $1,137.5 million).

Other

The Company has given guarantees to bankers and other third parties relating principally to letters of credit amounting to £5.1 million (1999 : £4.4 million).

The Company has also given guarantees to bankers in respect of commitments entered into by them to provide security for the membership of Lloyd's of certain Group employees who are not directors of the Company amounting to £35,000 (1999 : £0.3 million).

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 £104.2 million at 31 December 2000 (1999 : £111.7 million).

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. 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, cash flows or financial position.

27. Directors' remuneration

	2000	1999
	(£ thousand)	
Emoluments (excluding pension contributions and long term incentive awards)	**3,018**	3,289
Defined contribution scheme payments	**7**	6
Highest paid director		
Emoluments (excluding pension contribution and long term incentive award)	**461**	569
Accrued annual pension	**102**	74
	2000	1999
	(number)	
Directors exercising share options	**4**	-
Directors eligible for defined benefit pension	**7**	7
Directors eligible for defined contribution pension	**3**	2

NOTES TO THE ACCOUNTS
for the year ended 31 December 2000 (continued)

28. Directors' interests

(a) RJS Bucknall who held office during the year, was an Underwriting Member of Lloyd's.

(b) Insurance broking subsidiaries of the Company place risks with the syndicates in which RJS Bucknall participates in the normal course of his 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.

During 2000, Willis North America Inc. acquired from J J Plumeri, the Executive Chairman and Chief Executive Officer, a 12½% undivided interest in a Citation V Ultra Aircraft for £462,479; at 31 December 2000, this balance was recorded as a creditor. This transaction was consummated on terms equivalent to those that prevail in arms' length transactions.

30. Parent undertaking and controlling party

The Company is a wholly-owned subsidiary of TA IV Limited, following its transfer on 1 January 2001. 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 Acquisition Limited. The consolidated accounts for these groups are available from the Company Secretary, Ten Trinity Square, London EC3P 3AX.