621757

WILLIS GROUP LIMITED

2001 ANNUAL REPORT AND ACCOUNTS

Directors

J J Plumeri – Chairman and Chief Executive Officer
R J S Bucknall
T Colraine
J Coolick
B D Johnson
P Lucas (non-executive)
J M McSweeny
J M Pelly

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

Directors' report
For the year ended 31 December 2001

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.

As a consequence of the acceptance on 8 May 2001 by the shareholders of TA I Limited of the offer by Willis Group Holdings Limited to exchange on a one-for-one basis their shares in TA I Limited, Willis Group Holdings Limited became the Company's ultimate parent company.

Performance review

The Group's operating revenues for the year were £988.4 million compared with £861.0 million for 2000, an increase of 15%. The Group's profit before tax for 2001 was £226.7 million, compared with £129.7 million reported for 2000. The Group's results were achieved against the background of unsettled global insurance conditions, with a hardening market tightening further following the tragic events of 11 September 2001.

An interim dividend of £8,178,463.31 was paid on 28 June 2001. The directors do not recommend the payment of a final dividend.

In February 2001, the Group acquired 100% of Bradstock G.I.S. Pty Limited in Australia which was merged with an existing Australian operation to provide greater scale and depth of management. Further, in December 2001 the Group increased its interest in Willis Italia, one of Italy's top three brokers, from 50.1% to 67% and in January 2002, the Group increased its ownership position from 45% to 67% in Jaspers Wuppesahl, Germany's third largest insurance broker (since renamed Willis GmbH & Co. K.G.).

Directors

The present directors of the Company are named on page 1 and held office throughout the year, with the exception of J Coolick and K H Pinkston. J Coolick was appointed a director on 1 July 2001 and K H Pinkston resigned as Vice Chairman and a director on 21 September 2001.

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 2001 and whose interests are not reported in the accounts of a parent company had the following interests in the common shares of Willis Group Holdings Limited, the ultimate parent company, as recorded in the register kept for the purpose:

Director	Common shares of $0.000115 each		Options over common shares of $0.000115 each			
	1.1.2001 (or date of appointment)	31.12.2001	1.1.2001 (or date of appointment)	Granted	Exercised	31.12.2001
J J Plumeri	1,721,407	1,821,407	5,164,222	-	-	5,164,222
R J S Bucknall	167,725	192,500	602,275	393	14,755	587,913
T Colraine	68,964	102,444	431,036	393	24,380	407,049
J Coolick	3,360	13,731	5,554	-	-	5,554
B D Johnson	160,000	170,000	400,000	-	-	400,000
P Lucas	50,000	50,000	-	-	-	-
J M McSweeney	22,500	84,445	448,644	-	20,589	428,055
J M Pelly	185,000	240,000	525,000	393	40,000	485,393

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 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.

Directors' report
For the year ended 31 December 2001 (continued)

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

28 March 2002

Independent Auditors' Report to the members of Willis Group Limited

We have audited the financial statements of Willis Group Limited for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, and the related notes 1 to 31. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of the directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions, with the Company and other members of the Group is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, 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 the Group as at 31 December 2001 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

28 March 2002

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2001

	Note	2001	2000
		(£ million)	
Brokerage and fees (including acquisitions of £3.0 million)		**941.9**	816.0
Interest and investment income	2	**46.5**	45.0
Operating revenues		**988.4**	861.0
Operating expenses (including acquisitions of £2.5 million)		**(766.1)**	(731.1)
Operating profit (including acquisitions of £0.5 million)	3	**222.3**	129.9
Loss on disposal/closure of operations	5	**(4.1)**	(5.1)
Share of profit of associates	4	**7.2**	4.6
Interest receivable	6	**58.2**	58.2
Interest payable	7	**(56.9)**	(57.9)
Profit on ordinary activities before taxation		**226.7**	129.7
Tax on profit on ordinary activities	9	**(78.9)**	(36.8)
Profit on ordinary activities after taxation		**147.8**	92.9
Minority interests		**(5.0)**	(1.5)
Profit for the financial year		**142.8**	91.4
Dividends	10	**(8.2)**	(72.7)
Retained profit	22	**134.6**	18.7

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2001

	2001	2000
	(£ million)	
Profit for the financial year		
Parent and subsidiaries	**138.3**	89.2
Associates	**4.5**	2.2
	142.8	91.4
Currency translation differences		
Subsidiaries	**(22.5)**	(41.9)
Associates	**(0.2)**	0.2
	(22.7)	(41.7)
Total recognised gains and losses for the financial year	**120.1**	49.7

GROUP CASH FLOW STATEMENT
for the year ended 31 December 2001

	Note	2001	2001	2000	2000
		(£ million)		(£ million)	
Net cash inflow from operating activities	11		**474.2**		206.4
Dividends from associates			**2.6**		3.2
Returns on investments and servicing of finance					
Interest paid		**(57.1)**		(56.0)	
Interest received		**61.8**		58.5	
Bank fees on borrowings		**(0.5)**		(0.6)	
Minority dividend paid		**(2.3)**		(0.6)	
Net cash inflow for returns on investment and servicing of finance			**1.9**		1.3
Taxation			**(28.7)**		(18.0)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(28.0)**		(19.9)	
Sale of tangible fixed assets		**3.3**		4.6	
Purchase of fixed asset investments		**(0.2)**		(1.5)	
Sale of fixed asset investments		**0.1**		-	
Net cash outflow for capital expenditure and financial investment			**(24.8)**		(16.8)
Acquisitions and disposals					
Purchase of subsidiaries	14	**(3.5)**		(9.0)	
Purchase of associates		**-**		(0.8)	
Proceeds from sale of business		**2.4**		-	
Sale of subsidiaries	14	**20.6**		0.3	
Net cash transferred on purchase/sale of subsidiaries		**(6.3)**		3.7	
Net cash inflow/(outflow) for acquisitions and disposals			**13.2**		(5.8)
Equity dividends paid			**(15.1)**		(13.1)
Cash flow before management of liquid resources and financing			**423.3**		157.2
Management of liquid resources	11		**(5.4)**		(32.5)
Financing					
Issue of ordinary shares		**-**		6.4	
Capital contribution		**0.5**		-	
Amounts due from parent companies	11	**(16.6)**		20.5	
Amounts due to parent companies	11	**(36.0)**		(80.4)	
Debt due beyond a year : decrease in long-term borrowings	11	**(119.1)**		(20.9)	
Net cash outflow from financing			**(171.2)**		(74.4)
Increase in cash	11		**246.7**		50.3

BALANCE SHEETS

At 31 December 2001	Note	Group 2001	Group 2000	Company 2001	Company 2000
		(£ million)		(£ million)	
Fixed assets					
Intangible assets - goodwill	12	**28.7**	35.2	-	-
Tangible assets	13	**127.7**	128.0	-	-
Investments	14	**3.7**	4.7	**109.0**	109.1
Investments in associates	15	**41.4**	40.0	-	-
		201.5	207.9	**109.0**	109.1
Current assets					
Debtors	16	**5,348.3**	4,511.8	**841.7**	696.4
Investments	17	**330.1**	318.4	-	-
Deposits and cash		**667.8**	427.1	-	0.1
		6,346.2	5,257.3	**841.7**	696.5
Current liabilities					
Creditors : amounts falling due within one year	18	**(5,655.7)**	(4,591.7)	**(345.4)**	(292.5)
Net current assets		**690.5**	665.6	**496.3**	404.0
Total assets less current liabilities		**892.0**	873.5	**605.3**	513.1
Creditors : amounts falling due after more than one year	19	**(577.3)**	(670.2)	-	-
Provisions for liabilities and charges	20	**(96.6)**	(105.1)	-	-
Net assets		**218.1**	98.2	**605.3**	513.1
Capital and reserves					
Called-up share capital	21	**59.9**	59.9	**59.9**	59.9
Share premium	22	**124.0**	124.0	**124.0**	124.0
Revaluation reserve	22	**14.9**	14.9	-	-
Profit and loss account	22	**8.6**	(113.4)	**421.4**	329.2
Equity shareholders' funds		**207.4**	85.4	**605.3**	513.1
Equity minority interests		**10.7**	12.8	-	-
Total capital employed		**218.1**	98.2	**605.3**	513.1

Approved on behalf of the Board on 28 March 2002

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 income, 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.

Derivative financial instruments
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 2001

1. Segmental analysis

Geographical analysis	2001	2000
	(£ million)	
Brokerage and fees (by location of client (a))		
United Kingdom	**183.9**	178.4
North America	**508.6**	433.2
Rest of the World	**249.4**	204.4
	941.9	816.0
Brokerage and fees (by location of company)		
United Kingdom	**357.9**	315.6
North America	**464.7**	406.5
Rest of the World	**119.3**	93.9
	941.9	816.0
Operating revenues (by location of company)		
United Kingdom	**389.5**	344.7
North America	**476.7**	419.7
Rest of the World	**122.2**	96.6
	988.4	861.0
Operating profit *(by location of company)*		
United Kingdom	**102.1**	65.1
North America	**96.3**	51.9
Rest of the World	**23.9**	12.9
	222.3	129.9
Net assets		
United Kingdom	**(48.5)**	(110.0)
North America	**126.3**	85.9
Rest of the World	**140.3**	122.3
	218.1	98.2

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

2. Interest and investment income	2001	2000
	(£ million)	
Interest receivable	**33.0**	32.5
Investment income	**13.5**	12.5
	46.5	45.0

3. Operating profit		2001	2000
		(£ million)	
The operating profit was arrived at after charging :			
Auditors' remuneration	Audit fees	**1.1**	1.0
	Other services provided by auditors in the UK	**0.7**	0.2
Depreciation	Owned assets	**23.1**	24.5
Amortisation of goodwill		**2.6**	2.2
Operating lease rentals	Land and buildings	**36.0**	36.8
	Equipment	**7.8**	6.8

NOTES TO THE ACCOUNTS
for the year ended 31 December 2001 (continued)

4. Share of profit of associates

The share of profit of associates includes amortisation of goodwill amounting to £1.4 million (2000 : £1.4 million).

5. Loss on disposal/closure of operations

In July 2001, the Company completed the sale of its 51% interest in Willis National Holdings Limited. The gain on disposal amounted to £12.9 million, net of a goodwill write-off of £2.6 million which included £2.4 million previously eliminated against reserves. In December 2001, the Company completed a restructuring of Willis Italia Holdings S.p.A. in which a subsidiary of that entity was disposed of in exchange for an increase in the Group's investment in Willis Italia Holdings S.p.A. from 50.1% to 67%. The loss on disposal of £9.2 million included a net goodwill write-off of £8.3 million.

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 in 2000 consisted of provisions of £2.8 million of redundancy costs and £2.3 million of excess operating lease obligations and other closure costs relating to these plans. The sale was completed in January 2001, giving rise to the reinstatement of £7.7 million of goodwill previously eliminated against reserves.

6. Interest receivable	**2001**	2000
	(£ million)	
Interest receivable from parent company	**55.9**	58.2
Other interest receivable	**2.3**	-
	58.2	58.2

7. Interest payable	**2001**	2000
	(£ million)	
Bank loans and overdrafts	**53.8**	55.9
Amortisation of bank fees	**2.2**	1.3
Other	**0.9**	0.7
	56.9	57.9

8. Employees	**2001**	2000
	(£ million)	
Salaries and associated expenses		
Salaries	**466.9**	429.8
Social security costs	**34.5**	31.1
Other pension costs	**13.0**	13.4
	514.4	474.3

	Average for year	
Number of Group employees	**2001**	2000
	(number)	
United Kingdom	**3,409**	3,690
North America	**3,763**	3,918
Rest of the World	**2,992**	2,162
	10,164	9,770

NOTES TO THE ACCOUNTS
for the year ended 31 December 2001 (continued)

9. Tax on profit on ordinary activities

	2001	2000
	(£ million)	
Charge for the year		
UK corporation tax :		
Current tax on income for the period at 30% (2000 : 30%)	45.9	16.4
Adjustments in respect of prior periods	0.2	(0.3)
Foreign tax:		
Current tax on income for the period	32.2	21.8
Adjustments in respect of prior periods	(2.6)	(0.4)
Deferred tax	0.5	(3.1)
	76.2	34.4
Share of associates	2.7	2.4
	78.9	36.8

There was no tax effect in either 2001 or 2000 resulting from exceptional items.

The tax charge for 2001 is higher than the statutory rate due to the disallowable consolidated goodwill written-off in the year following the disposal of the Italian subsidiary of Willis Italia Holdings S.p.A. and higher rates of tax applying in jurisdictions outside the UK.

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 in the year of provisions not previously recognised for tax relief.

10. Dividends

	2001	2000
	(£ million)	
First interim	8.2	42.6
Second interim	-	30.1
	8.2	72.7

11. Notes to Group cash flow statement

	2001	2000
	(£ million)	
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	222.3	129.9
Depreciation charges, loss on sale of tangible fixed assets and unlisted investments	23.1	27.1
Amortisation of goodwill	2.6	2.2
Provision against unlisted investments	-	1.5
Increase in debtors	(807.2)	(559.2)
Increase in creditors	1,042.8	627.7
Decrease in provisions	(9.4)	(22.8)
Net cash inflow from operating activities	474.2	206.4

NOTES TO THE ACCOUNTS
for the year ended 31 December 2001 (continued)

11. Notes to Group cash flow statement (continued)

Reconciliation of net cash flow to movement in net funds	1 January 2001	Cash flow	Other non-cash movements	Exchange movement	31 December 2001
			(£ million)		
Cash					
Deposits and cash	427.1	239.4	-	1.3	667.8
Deduct deposits classified as liquid resources	(265.2)	(1.3)	-	(3.0)	(269.5)
	161.9	238.1	-	(1.7)	398.3
Overdrafts	(8.7)	8.6	-	0.1	-
	153.2	246.7	-	(1.6)	398.3
Liquid resources			-		
Current asset investments	318.4	4.1	-	7.6	330.1
Deposits	265.2	1.3	-	3.0	269.5
	583.6	5.4	-	10.6	599.6
Borrowings					
Debt due beyond a year : decrease in long-term borrowings	(638.4)	119.1	-	(23.6)	(542.9)
Amounts owed by parent companies	1,252.8	16.6	-	22.4	1,291.8
Amounts owed to parent companies	(678.8)	36.0	(13.0)	(22.9)	(678.7)
	(64.4)	171.7	(13.0)	(24.1)	70.2
Net funds	672.4	423.8	(13.0)	(15.1)	1,068.1
Net funds movements in 2000	590.1	163.6	(67.2)	(14.1)	672.4

12. Intangible assets - goodwill

	(£ million)
Cost or valuation	
1 January 2001	39.3
Exchange adjustments	0.1
Acquisitions	4.6
Disposals	(10.1)
31 December 2001	33.9
Amortisation	
1 January 2001	(4.1)
Provided in the year	(2.6)
Disposals	1.5
31 December 2001	(5.2)
Net book value	
31 December 2001	28.7
31 December 2000	35.2

NOTES TO THE ACCOUNTS
for the year ended 31 December 2001 (continued)

13. Tangible assets	**Land and buildings**	**Furniture equipment and vehicles**	**Total**
		(£ million)	
Cost or valuation			
1 January 2001	**93.6**	**130.5**	**224.1**
Exchange adjustments	**0.1**	**0.6**	**0.7**
Additions	**6.5**	**22.7**	**29.2**
Disposals	**(2.0)**	**(30.7)**	**(32.7)**
Arising from acquisitions	**-**	**0.6**	**0.6**
31 December 2001	**98.2**	**123.7**	**221.9**
Depreciation			
1 January 2001	**(19.3)**	**(76.8)**	**(96.1)**
Exchange adjustments	**0.1**	**(0.3)**	**(0.2)**
Provided in the year	**(5.6)**	**(17.5)**	**(23.1)**
Disposals	**0.7**	**24.7**	**25.4**
Arising from acquisitions	**-**	**(0.2)**	**(0.2)**
31 December 2001	**(24.1)**	**(70.1)**	**(94.2)**
Net book value			
31 December 2001	**74.1**	**53.6**	**127.7**
31 December 2000	74.3	53.7	128.0

Net book value of land and buildings		**2001**	2000
		(£ million)	
Freehold	Land	**17.0**	18.1
	Buildings	**41.2**	42.7
Leasehold	Short	**15.9**	13.5
		74.1	74.3

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 2001 was £57.3 million (2000 : £57.3 million), and the accumulated depreciation was £11.1 million (2000 : £9.1 million). On an historical cost basis these properties would be included at cost of £57.1 million (2000 : £57.1million) less accumulated depreciation of £25.6 million (2000: £23.7 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 2001 (continued)

14. Investments held as fixed assets

Group	Shares held by ESOPs [i]	Other investments	Total
		(£ million)	
Cost			
1 January 2001	2.5	4.5	7.0
Additions	-	0.2	0.2
Disposals	(0.8)	(0.4)	(1.2)
31 December 2001	1.7	4.3	6.0
Provisions			
1 January 2001	(0.8)	(1.5)	(2.3)
Exchange adjustments	(0.1)	-	(0.1)
Amortisation	(0.8)	-	(0.8)
Disposals	0.8	0.1	0.9
31 December 2000	(0.9)	(1.4)	(2.3)
Net book value			
31 December 2001	0.8	2.9	3.7
31 December 2000	1.7	3.0	4.7

Company	Subsidiaries	Shares held by ESOPs [i]	Other investments	Total
		(£ million)		
Cost				
1 January 2001	107.8	1.1	0.5	109.4
Additions	0.6	-	-	0.6
Disposals	-	(0.7)	-	(0.7)
31 December 2001	108.4	0.4	0.5	109.3
Provisions				
1 January 2001	-	(0.3)	-	(0.3)
Amortisation	-	(0.7)	-	(0.7)
Disposals	-	0.7	-	0.7
31 December 2001	-	(0.3)	-	(0.3)
Net book value				
31 December 2001	108.4	0.1	0.5	109.0
31 December 2000	107.8	0.8	0.5	109.1

[i]The Group has Employee Stock Ownership Plans (the "ESOPs") which invest in common shares of the ultimate parent company, Willis Group Holdings Limited. The trustees of the ESOPs transferred 424,724 and 527,495 common shares during the years ended 31 December 2001 and 2000, respectively. At 31 December 2001 and 2000, the ESOPs shares outstanding were 828,687 and 1,253,411, respectively, representing approximately 0.6% and 1.0% of the total common shares of Willis Group Holdings Limited. Willis Group Holdings Limited shares are listed on the New York Stock Exchange. The fair market value of the common shares held by the ESOPs at 31 December 2001 was £13.4 million. No dividends have been distributed on the common shares held by the ESOPs.

NOTES TO THE ACCOUNTS
for the year ended 31 December 2001 (continued)

14. Investments held as fixed assets (continued)

Acquisitions and disposals of subsidiaries	Acquisitions	Disposals
	(£ million)	
Net assets acquired and disposed of		
Tangible assets	0.4	3.9
Fixed asset investments	-	0.5
Debtors	4.2	23.7
Cash	1.1	15.2
Creditors	(5.5)	(31.4)
	0.2	11.9
Minority interest	(0.1)	(6.2)
Goodwill acquired/written off	4.6	18.7
Loss on disposal	-	(4.1)
Total cost/proceeds	4.7	20.3
Satisfied by		
Cash	3.0	20.3
Preference shares in subsidiary	1.5	-
Deferred consideration	0.2	-
	4.7	20.3

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 £3.5 million shown as "Purchase of subsidiaries" in the Group Cash Flow Statement includes £0.5 million relating to deferred consideration paid during 2001 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 £20.6 million shown as "Sale of subsidiaries" in the Group Cash Flow Statement includes £0.3 million relating to deferred consideration in respect of disposals completed in prior years.

Subsidiaries
The principal subsidiaries, all of which are wholly owned, at 31 December 2001 were :

	Country of incorporation	Class of shares held
Insurance broking and risk management		
Willis Limited		Ordinary
Willis North America Inc.	USA	Common
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 2001 (continued)

15. Investments in associates

Group	Net asset value	Goodwill	Total
		(£ million)	
Cost			
1 January 2001	14.8	28.7	43.5
Exchange and other adjustments	(0.2)	-	(0.2)
Disposals	(0.3)	-	(0.3)
Share of retained profit of associates	3.3	-	3.3
31 December 2001	17.6	28.7	46.3
Provisions			
1 January 2001	-	(3.5)	(3.5)
Amortisation of goodwill	-	(1.4)	(1.4)
31 December 2001	-	(4.9)	(4.9)
Net book value			
31 December 2001	17.6	23.8	41.4
31 December 2000	14.8	25.2	40.0

The Group's share of profit retained by associates at 31 December 2001 amounted to £12.4 million (2000 : £9.1 million).

Associates
The principal associates at 31 December 2001 were :

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

16. Debtors

	Group		Company	
	2001	2000	**2001**	2000
		(£ million)		
Due within one year				
Trade debtors	**3,892.2**	3,086.9	-	-
Amounts owed by parent companies	**748.9**	614.5	**374.0**	239.7
Amounts owed by subsidiaries	-	-	**181.5**	185.0
Amounts owed by associates	**0.1**	0.2	-	-
Corporate tax	**0.1**	0.5	**0.5**	0.5
Prepayments and accrued income	**88.3**	89.4	**1.4**	-
Other debtors	**29.5**	29.2	**8.4**	4.5
	4,759.1	3,820.7	**565.8**	429.7
Due after more than one year				
Trade debtors	**3.3**	6.1	-	-
Amounts owed by parent companies	**542.9**	638.3	-	-
Amounts owed by subsidiaries	-	-	**275.9**	266.7
Other debtors	**30.6**	34.4	-	-
Deferred taxation (below)	**12.4**	12.3	-	-
	589.2	691.1	**275.9**	266.7
Total debtors	**5,348.3**	4,511.8	**841.7**	696.4

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.

NOTES TO THE ACCOUNTS
for the year ended 31 December 2001 (continued)

16. **Debtors** (continued)

Deferred tax	Group **2001**	Group 2000
	(£ million)	
The deferred tax assets/(liabilities) arise from :		
Capital allowances	**(8.5)**	(8.4)
Timing differences	**20.9**	20.7
31 December 2001	**12.4**	12.3

17. Investments held as current assets	Group **2001**	Group 2000
	(£ million)	
Listed investments (market value £35.3 million (2000 : £42.2 million))	**34.4**	41.7
Unlisted investments	**295.7**	276.7
	330.1	318.4

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.

18. Creditors : amounts falling due within one year	Group **2001**	Group 2000	Company **2001**	Company 2000
		(£ million)		
Trade creditors	**4,687.1**	3,655.8	-	-
Amounts due to parent companies	**678.7**	678.8	**289.7**	281.4
Amounts due to subsidiaries	-	-	**52.0**	-
Corporate tax	**74.8**	41.6	**3.1**	2.9
Income tax and social security	**10.6**	10.2	-	-
Accruals and deferred income	**111.2**	86.3	**0.2**	0.5
Bank loans and overdrafts	-	8.7	-	-
Other creditors	**93.3**	110.3	**0.4**	7.7
	5,655.7	4,591.7	**345.4**	292.5

19. Creditors : amounts falling due after more than one year	Group **2001**	Group 2000
	(£ million)	
Bank loans	**240.0**	271.7
9% Senior Subordinated Notes due 2009	**301.0**	362.6
Trade creditors	**3.7**	3.5
Accruals and deferred income	**1.0**	1.2
Other creditors	**31.6**	31.2
	577.3	670.2
Bank loans repayable		
between three and four years	**57.1**	7.3
between four and five years	**81.6**	62.9
Thereafter	**101.3**	201.5
	240.0	271.7

During 2001 and 2000, the Group repaid £41.7 million and £20.9 million of Term Loans respectively. During 2001, the Group bought back and cancelled Notes totalling £77.4 million. The difference between the market price paid and the book value was not material.

The original Term Loans of $450 million 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 the London Inter-Bank Offered Rate ("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 (£103.4 million) which is available until 2005. At 31 December 2001 the balance drawn on this facility was £nil (2000 : £nil).

NOTES TO THE ACCOUNTS
for the year ended 31 December 2001 (continued)

20. Provisions for liabilities and charges

Provisions	Claims (i)	Pensions review (ii)	Surplus properties (iii)	Discontinued operations (iv)	Total
			(£ million)		
1 January 2001	34.9	34.0	15.4	20.8	105.1
Exchange and other adjustments	-	-	0.1	0.1	0.2
Profit and loss account movements	19.9	-	0.6	-	20.5
Used in the year	(9.4)	(12.5)	(4.4)	(2.9)	(29.2)
31 December 2001	**45.4**	**21.5**	**11.7**	**18.0**	**96.6**

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

(ii) In common with many companies involved in selling personal pension plans in the UK, the Group's financial advisory business, Willis Corroon Financial Planning Limited ("WCFP"), is required by the Financial Services Authority ("the Regulator"), which regulates these matters, to review certain categories of personal pension plans sold to individuals between 1988 to 1994. WCFP is required to compensate those individuals who transferred from, opted out or did not join, their employer-sponsored pension plan if the expected benefits from their personal pension plan did not equal the benefits that would have been available from their employer-sponsored pension plan. Whether compensation is due to a particular individual, and the amount thereof, is dependent upon the subsequent performance of the personal pension plan sold and the net present value of the benefits that would have been available from the employer-sponsored pension plan calculated using financial and demographic assumptions prescribed by the Regulator. The Regulator currently requires all offers of compensation to be made by 30 June 2002.

Although the Group considers the established provisions to be prudent and expects to pay out these provisions over the next two years, there remains some uncertainty as to the ultimate exposure relating to the review. This exposure is subject to a number of variable factors including, among others, the effect of future changes in prescribed UK interest rates and in financial and other assumptions which are issued by the Regulator on a quarterly basis.

(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 (in Scheme of Arrangement) ("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

	2001 Number	2000 Number
	(million)	
Authorised share capital		
Ordinary shares of 12.5p each	528	528

Allotted, called-up and fully paid	Number (million)	Amount (£ million)
1 January and 31 December 2001	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 of Willis Group Limited ("ordinary shares") at any time up to 31 December 2002.

NOTES TO THE ACCOUNTS
for the year ended 31 December 2001 (continued)

22. Reserves

Group	Share capital	Share premium	Revaluation reserve	Profit and loss account	Total
			(£ million)		
1 January 2001	**59.9**	**124.0**	**14.9**	**(113.4)**	**85.4**
Goodwill reinstated on disposals	-	-	-	**10.1**	**10.1**
Retained profit	-	-	-	**134.6**	**134.6**
Exchange and other adjustments	-	-	-	**(22.7)**	**(22.7)**
31 December 2001	**59.9**	**124.0**	**14.9**	**8.6**	**207.4**
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

The cumulative amount of goodwill eliminated in 1997 and earlier financial years, net of goodwill relating to subsidiaries disposed of, amounts to £527.0 million (2000 : £537.1 million).

Company	Share capital	Share premium	Revaluation reserve	Profit and loss account	Total
			(£ million)		
1 January 2001	**59.9**	**124.0**	-	**329.2**	**513.1**
Capital contribution	-	-	-	**0.5**	**0.5**
Retained profit	-	-	-	**91.7**	**91.7**
31 December 2001	**59.9**	**124.0**	-	**421.4**	**605.3**

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 £99.9 million (2000: £33.2 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 Group's total pension charge for the year was £13.0m (2000: £13.4m).

The most recent actuarial valuation of the UK scheme was at 31 December 1998 and of the US scheme at 1 January 2001. The most recent actuarial valuations have been reviewed and updated as at 31 December 2001 to take account of the requirements of FRS 17 *"Retirement Benefits," in order to assess the liabilities of the schemes at 31 December 2001. Scheme assets are stated at* their market value at 31 December 2001.

Financial assumptions	UK	US
	(%)	
Rate of increase in salaries	**3.5**	**5.0**
Rate of increase in pensions in payment	**3.0**	**-**
Discount rate	**5.8**	**7.0**
Inflation	**2.5**	**4.0**

Fair value of assets	UK	US
	(£ million)	
Equities	**632.9**	**148.2**
Bonds	**78.6**	**85.3**
Other	**53.8**	**1.3**
Total	**765.3**	**234.8**

NOTES TO THE ACCOUNTS
for the year ended 31 December 2001 (continued)

23. **Pensions** (continued)

Expected return	UK	US
	(%)	
Equities	7.6	9.3
Bonds	5.6	7.0
Other	5.8	-

Reconciliation of scheme assets and liabilities to the balance sheet	UK	US
	(£ million)	
Total market value of assets	765.3	234.8
Present value of scheme liabilities	(670.3)	(256.1)
Surplus/(deficit)	95.0	(21.3)
Related deferred tax	(28.5)	8.5
Net pension asset/(liability)	66.5	(12.8)

24. Commitments

Capital commitments

The Group had contracted for capital expenditure at 31 December 2001 of £1.7 million (2000 : £1.7 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 £196.9 million (2000 : £169.3 million). Most of this relates to amounts which may be payable under put options, exercisable between 2001 and 2011, entered into with the shareholders of Gras Savoye. If, by 2011, the Group has not reached a majority shareholding in Gras Savoye, 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 2001, the Group had entered into forward foreign exchange contracts amounting to approximately £119.0 million (2000 : £131.0 million).

Operating lease commitments	Land and buildings		Other	
Payments committed to be made by the Group	2001	2000	2001	2000
		(£ million)		
Within one year for leases expiring				
in less than one year	3.2	2.5	0.7	0.4
between one and five years	11.4	12.1	2.4	4.0
after five years	18.3	18.0	-	0.2
	32.9	32.6	3.1	4.6

At 31 December 2001, 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)	
2002	36.0	(5.9)	30.1
2003	30.4	(5.3)	25.1
2004	26.9	(4.6)	22.3
2005	21.8	(4.3)	17.5
2006	19.6	(4.1)	15.5
Thereafter	66.4	(17.0)	49.4
	201.1	(41.2)	159.9

Rent expense amounted to £43.8 million (2000 : £43.6 million). The Group's rental income from subleases was £4.1 million (2000 : £2.6 million).

NOTES TO THE ACCOUNTS
for the year ended 31 December 2001 (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 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 and foreign currency risk. The Board reviews and agrees policies for managing each of these risks as summarised below.

As permitted by FRS 13, "Derivatives and Other financial Instruments: Disclosures," 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.

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 2001							
Sterling	-	-	-	-	**2.6**	-	**2.6**
US dollar	**527.2**	**8.05**	**5.0**	**13.8**	**679.7**	-	**1,220.7**
Other	-	-	-	-	**0.1**	-	**0.1**
	527.2			**13.8**	**682.4**		**1,223.4**
At 31 December 2000							
Sterling	-	-	-	0.4	2.1	-	2.5
US dollar	619.2	8.14	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

NOTES TO THE ACCOUNTS
for the year ended 31 December 2001 (continued)

25. **Financial Instruments** (continued)

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 2001							
Sterling	81.5	6.58	1.2	115.4	617.6	-	814.5
US dollar	808.0	6.75	3.2	350.4	134.6	-	1,293.0
Japanese yen	-	-	-	24.3	-	-	24.3
Euro	24.4	4.64	1.5	39.5	-	-	63.9
Other	-	-	-	97.3	-	-	97.3
	913.9			626.9	752.2		2,293.0
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

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.

Functional currency of Group operation	Net foreign currency monetary assets/(liabilities)			
	Sterling	US dollar	Other	Total
		(£ million)		
At 31 December 2001				
Sterling	-	4.8	0.2	5.0
US dollar	13.9	-	3.3	17.2
	13.9	4.8	3.5	22.2
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

Maturity of financial liabilities
The maturity profile of the Group's financial liabilities is summarised below:

	2001	2000
	(£ million)	
On demand or within one year or less	678.7	687.5
More than one year but not more than two years	3.7	3.5
More than two years but not more than five years	138.7	70.2
More than five years	402.3	564.1
	1,223.4	1,325.3

Borrowing facilities
The Group had undrawn committed facilities of £104.9 million, all of which expire in less than five years, available at 31 December 2001 (2000 : £102.7 million, of which £100.0 million expire in more than five years).

NOTES TO THE ACCOUNTS
for the year ended 31 December 2001 (continued)

25. Financial Instruments (continued)

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

	At 31 December			
	Book value		Estimated fair value	
	2001	2000	2001	2000
	(£ million)			
Primary financial instruments held or issued to finance the Group's operations				
Cash and short term deposits	**667.8**	427.1	**667.8**	427.1
Current asset investments	**330.1**	318.4	**331.0**	318.7
Trade debtors falling due after more than one year	**3.3**	6.1	**3.3**	6.1
Amounts due from parent companies	**1,291.8**	1,252.8	**1,303.9**	1,214.3
Short term bank loans and overdrafts	**-**	(8.7)	**-**	(8.7)
Trade creditors falling due after more than one year	**(3.7)**	(3.5)	**(3.7)**	(3.5)
Amounts owed to parent companies	**(678.7)**	(678.8)	**(678.7)**	(678.8)
Long term bank loans	**(240.0)**	(271.7)	**(240.0)**	(271.7)
Senior Subordinated Notes	**(301.0)**	(362.6)	**(313.1)**	(324.1)
	1,069.6	679.1	**1,070.5**	679.4
Derivative financial instruments held to manage interest rate and currency exposure				
Interest rate swaps - assets	**-**	-	**19.3**	10.5
- liabilities	**-**	-	**(7.1)**	(1.2)
Forward foreign exchange contracts - assets	**-**	-	**3.3**	2.2
- liabilities	**-**	-	**(2.2)**	(2.9)

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 atprevailing 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 2001	**Gains**	**Losses**	**Total net gains/ (losses)**
		(£ million)	
Unrecognised gains and losses on hedges at 1 January 2001	**12.7**	**(4.1)**	**8.6**
Gains and losses arising in previous years that were recognised in 2001	**(1.4)**	**3.0**	**1.6**
Gains and losses arising before 1 January 2001 that were not recognised in 2001	**11.3**	**(1.1)**	**10.2**
Gains and losses arising in 2001 that were not recognised in 2001	**11.3**	**(8.2)**	**3.1**
Unrecognised gains and losses on hedges at 31 December 2001	**22.6**	**(9.3)**	**13.3**
Of which:			
Gains and losses expected to be recognised in 2002	**8.6**	**(1.6)**	**7.0**
Gains and losses expected to be recognised in 2003 or later	**14.0**	**(7.7)**	**6.3**

NOTES TO THE ACCOUNTS
for the year ended 31 December 2001 (continued)

25. Financial Instruments (continued)

31 December 2000	Gains	Losses (£ million)	Total net gains/ (losses)
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

26. Contingent liabilities

Assets subject to charge
The Company has entered into a debenture in favour of the JPMorgan Chase 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 JPMorgan Chase Bank whereby it has assigned and pledged its interest in the shares of Willis North America.

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 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's obligations in respect of the 9% Senior Subordinated Notes due 2009. At 31 December 2001 these guarantees amounted to $937.2 million (£646.3 million) (2000 : $1,107.5 million (£738.3 million)).

Other
The Company has given guarantees to bankers and other third parties relating principally to letters of credit amounting to £5.1 million (2000 : £5.1 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 £30,000 (2000 : £35,000).

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 £82.8 million at 31 December 2001 (2000 : £104.2 million).

The Group has extensive international operations and the Company and its subsidiaries are subject to various actual and potential claims, lawsuits and proceedings relating principally to alleged errors and omissions in connection with the placement of insurance and reinsurance in the ordinary course of business. Some of these claims, lawsuits and proceedings seek damages in amounts which could, if assessed, be significant.

Group companies acted as broker, but not as underwriter, for the placement of both property and casualty insurance for a number of entities that were directly impacted by the 11 September 2001 destruction of the World Trade Center complex, including Silverstein Properties L.L.C., which acquired a 99-year leasehold interest in the twin towers and related facilities from the Port Authority of New York and New Jersey in July 2001. There are a number of lawsuits pending in the US between the insured parties and the insurers. Although the Group is not a party to any of these lawsuits, other disputes may arise with respect to the destruction of the World Trade Center complex which could affect the Group.

The Group maintains insurance, subject to certain deductibles and self-insurance, against such claims, lawsuits and proceedings. The Group has also established provisions against these items which are believed to be adequate in the light of current information and legal advice, and the Group adjusts such provisions from time to time according to developments. On the basis of current information, the Company does not expect that the ultimate outcome of the actual or potential claims, lawsuits and proceedings to which the Company is subject, will have a material adverse effect on the Group's financial condition, results of operations or liquidity.

NOTES TO THE ACCOUNTS
for the year ended 31 December 2001 (continued)

27. Directors' remuneration

	2001	2000
	(£ thousand)	
Emoluments (excluding pension contributions and long term incentive awards)	**5,932**	3,018
Defined contribution scheme payments	**11**	7
Highest paid director		
Emoluments (excluding pension contribution and long term incentive award)	**1,796**	461
Accrued annual pension	-	102

	2001	2000
	(number)	
Directors receiving shares under long term incentive plans	**1**	-
Directors exercising share options	**4**	4
Directors eligible for defined benefit pension	**8**	7
Directors eligible for defined contribution pension	**3**	3

28. Directors' interests

(a) R J S 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 R J S 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 guaranteed the performance obligations of Willis North America in respect of the pension benefits for B D Johnson and K H Pinkston under the Willis North America Inc. Executive Supplemental Retirement 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 "Related Party Disclosures" 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 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 from Trinity Acquisition Limited. The Company's ultimate parent company is Willis Group Holdings Limited, incorporated in Bermuda 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 Willis Group Holdings 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.

NOTES TO THE ACCOUNTS
for the year ended 31 December 2001 (continued)

31. Subsequent events

On 1 January 2002, the Group acquired a further 22%, in addition to the 45% already owned, in Jaspers Wuppesahl, Germany's third largest insurance broker, to improve the Group's market position and broaden its global offering and capabilities on behalf of its clients. Accordingly, Jaspers Wuppesahl (since renamed Willis GmbH & Co. K.G.) will be accounted for as a subsidiary from the date of acquisition. The aggregate cash purchase price was £9.9 million, of which £3.7 million was deferred to 2003.

The following table summarises the estimated fair value of the assets and liabilities acquired on a 100% basis as they will be consolidated from 1 January 2002:

	2001 (£ million)
Current assets	50.3
Fixed assets	8.3
Goodwill	33.4
Current liabilities	(53.8)
Minority interest	(1.4)
	36.8
Less: Equity investment at 31 December 2001	26.9
Net assets acquired	9.9

The purchase price allocation has yet to be finalised. None of the goodwill will be deductible for tax purposes.