

# **WILLIS LIMITED**

(Registered No. 181116)

## **DIRECTORS' REPORT AND ACCOUNTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2001**

#### **DIRECTORS**

MA Hedley - Chairman  
RJS Bucknall - Chief Executive  
GM Bessis  
R Chiverrell  
CN Clark  
MDT Faber  
RH Gayner  
AB Hedgecock  
CM London  
GJ Millwater  
JM Pelly  
JA Ratcliffe (appointed 1 November 2001)

#### **SECRETARY**

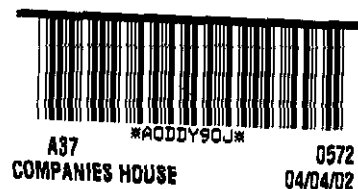
MP Chitty

#### **REGISTERED OFFICE**

Ten Trinity Square  
London EC3P 3AX

#### **AUDITORS**

Deloitte & Touche  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR



## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2001

The directors present their report, together with the accounts, for the year ended 31 December 2001.

## PRINCIPAL ACTIVITIES AND PERFORMANCE REVIEW

The Company is a Lloyd's broker engaged in international insurance and reinsurance broking.

The markets in which the Company trades were challenging throughout 2001 and the events of 11 September 2001 have had a significant impact on the market for insurance and reinsurance. The Company's leadership position in many of its activities, particularly in the handling of multinational accounts enabled it to meet the challenges with positive effect. The Company's operating revenue increased by 14.7% to \$525,390,000, with strong new business performance being supplemented by rising premium rates.

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.

## RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation amounted to \$69,426,000 (2000 : \$63,068,000).

An interim dividend of \$25,245,000 was paid on 30 May 2001. The directors do not recommend the payment of a final dividend.

## EMPLOYMENT POLICIES

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

Communication with employees concerning the objectives and performance of the Company 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 Company's vision and business strategy.

It is the Company's 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

The present directors of the Company are named on page 1 which forms part of this report. RGW Dixon resigned as a director of the Company on 13 June 2001.

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
GM Bessis	60,000	62,680	200,000	393	-	200,393
R Chiverrell	50,000	68,309	230,000	-	18,309	211,691
CN Clark	80,000	130,000	200,000	393	20,000	180,393
MDT Faber	80,000	106,200	138,000	393	18,000	120,393
RH Gayner	58,092	67,000	109,908	393	1,908	108,393
AB Hedgecock	86,512	104,000	193,488	393	13,488	180,393
MA Hedley	100,000	144,977	230,000	393	30,000	200,393
CM London	50,000	125,870	230,000	393	45,870	184,523
GJ Millwater	10,000	31,138	230,000	393	16,098	214,295
JA Ratcliffe	27,360	27,360	120,393	-	-	120,393

**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 and the following statement should be read in conjunction with the auditors' statement of their responsibilities set out on page 4.

The Companies Act 1985 (as amended) requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

In preparing the accounts on pages 5 to 14 the directors consider that :

- (a) they have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates;
- (b) all accounting standards, which they consider to be applicable, have been followed;
- (c) it is appropriate to prepare the accounts on the going concern basis.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985 (as amended).

The directors are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

**AUDITORS**

An Elective Resolution dispensing with the requirement to reappoint auditors annually was approved by shareholders at the Annual General Meeting in April 1991.

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

By Order of the Board



MP Chitty  
Secretary

27 March 2002  
Ten Trinity Square  
London EC3P 3AX

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WILLIS LIMITED**

We have audited the financial statements of Willis Limited for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the movement in shareholders' funds and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

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

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

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

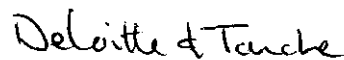
**Basis of audit opinion**

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 Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche  
Chartered Accountants and Registered Auditors

Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR

28 March 2002

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

	Note	2001 \$000	2000 \$000
Brokerage and fees (including acquisitions of \$2,971,000)	3	475,870	322,608
Interest and investment income (including acquisitions of \$18,000)	4	49,520	38,810
OPERATING REVENUE		525,390	361,418
Operating expenses (including acquisitions of \$3,188,000)		421,718	274,063
OPERATING PROFIT (including acquisitions of a \$199,000 Loss)	5	103,672	87,355
Income from shares on subsidiary undertakings		2,002	2,990
Interest payable	6	953	97
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		104,721	90,248
Tax on profit on ordinary activities	9	35,295	27,180
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		69,426	63,068
Dividends paid	10	25,245	42,141
RETAINED PROFIT FOR THE FINANCIAL YEAR	21	44,181	20,927

All activities derive from continuing operations.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2001**

	2001 \$000	2000 \$000
Profit for the financial year	69,426	63,068
Currency translation movements	(303)	(2,439)
Total recognised gains and losses for the financial year	69,123	60,629

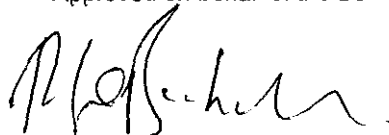
# WILLIS LIMITED

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## BALANCE SHEET AS AT 31 DECEMBER 2001

	Note	2001 \$000	2000 \$000
FIXED ASSETS			
Intangible assets	11	130,065	136,941
Investments	12	1,784	1,956
		<u>131,849</u>	<u>138,897</u>
CURRENT ASSETS			
Debtors	15	3,430,614	2,749,573
Investments	16	374,778	324,889
Deposits and cash		558,124	332,490
		<u>4,363,516</u>	<u>3,406,952</u>
CURRENT LIABILITIES			
CREDITORS : amounts falling due within one year	17	4,266,896	3,353,629
NET CURRENT ASSETS		<u>96,620</u>	<u>53,323</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		228,469	192,220
CREDITORS : amounts falling due after more than one year	18	4,323	3,596
PROVISION FOR LIABILITIES AND CHARGES	19	4,288	12,644
		<u>219,858</u>	<u>175,980</u>
CAPITAL AND RESERVES			
Called up share capital	20	152,557	152,557
Profit and loss account	21	67,301	23,423
EQUITY SHAREHOLDERS' FUNDS		<u>219,858</u>	<u>175,980</u>

Approved on behalf of the Board on 27 March 2002



R J S Bucknall  
Director

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

	2001 \$000	2000 \$000
Profit for the financial year	69,426	63,068
Currency translation movements	(303)	(2,439)
Total recognised gains for the financial period	69,123	60,629
Dividends paid	25,245	42,141
New ordinary shares issued	-	143,240
Net movement in shareholders' funds for the year	43,878	161,728
Shareholders' funds at 1 January	175,980	14,252
Shareholders' funds at 31 December	219,858	175,980

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

## 1. ULTIMATE PARENT COMPANY

The Company is a wholly-owned subsidiary of Willis Faber Limited. The ultimate parent company is Willis Group Holdings Limited, a company incorporated in Bermuda, and the ultimate controlling party is KKR 1996 Overseas, Limited, a company incorporated in the Cayman Islands.

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

## 2. ACCOUNTING POLICIES

## (a) Basis of preparation

These accounts have been prepared on the going concern basis under the historical cost convention and comply with accounting standards applicable in the United Kingdom.

## (b) Revenue recognition

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

## (c) Currency translation

Transactions in currencies are recorded at the rate of exchange at the date of transaction, or, in the case of forward contracts in respect of the current year's income, at the contracted rate. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account except those arising on dividends paid, which are taken to the Statement of Total Recognised Gains and Losses.

## (d) Goodwill

Goodwill is capitalised and amortised on a systematic basis over its useful economic life, determined on the individual circumstances of each business acquired but limited to a maximum period of 20 years.

## (e) 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 cashflows arising from insurance broking transactions and consequently, debtors and creditors arising from such transactions are 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 and are generally not available for purposes other than settling insurance broking transactions.

## (f) 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.

## (g) Cashflow Statement

Under FRS1 the Company is exempt from the requirement to prepare a cashflow statement on the grounds that it is prepared at Group level.

## (h) Investments

Investments in subsidiaries are carried at cost less provisions for any impairment in value. Current asset investments are held at the lower of cost or net realisable value.



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

## 3. BROKERAGE AND FEES

The table below analyses the Company's brokerage and fees by the accounting address of the client from whom the business is derived. This does not necessarily reflect the original source or location of the business. Brokerage and fees are attributable to continuing operations.

	2001 \$000	2000 \$000
United Kingdom	224,955	109,746
North America	79,583	65,445
Rest of the World	171,332	147,417
	<u>475,870</u>	<u>322,608</u>

## 4. INTEREST AND INVESTMENT INCOME

	2001 \$000	2000 \$000
Interest receivable	42,827	34,330
Interest receivable from group undertakings	6,693	4,480
	<u>49,520</u>	<u>38,810</u>

## 5. OPERATING PROFIT

	2001 \$000	2000 \$000
Operating profit was arrived at after charging:		
Auditors remuneration – Audit fees	216	152
Amortisation and write off of goodwill	8,479	573
Operating lease rentals:		
Land and buildings	6,064	-
	<u>6,064</u>	<u>-</u>

## 6. INTEREST PAYABLE

	2001 \$000	2000 \$000
Bank loans, overdrafts and other loans repayable within five years	953	97

## 7. EMPLOYEES

	2001 \$000	2000 \$000
Employee costs net of amounts reimbursed by fellow subsidiary undertakings during the year consisted of :		
Salaries	165,527	110,213
Social security costs	15,910	9,946
Other pension costs	11,667	8,530
	<u>193,104</u>	<u>128,689</u>

	2001 Number	2000 Number
Number of employees - average for the period	2,682	1,576

A number of the Company's employees are seconded to other subsidiary undertakings within the Willis Group. The employment costs of those employees, including salaries, social security and pension costs, are borne and accounted for by those subsidiary undertakings.

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

8.	DIRECTORS' REMUNERATION	2001 \$000	2000 \$000
	Emoluments, (excluding pension contributions and long term incentive awards)	6,004	3,997
	Benefits	127	130
		<u>6,131</u>	<u>4,127</u>
	Highest paid director :		
	Emoluments (excluding pension contributions and long term incentive award)	1,126	716
	Accrued annual pension	128	127
		2001 Number	2000 Number
	Directors exercising share options	8	4
	Directors receiving shares under Long Term Incentive Plans	-	-
	Directors eligible for defined benefit pension schemes	11	9
9.	TAX ON PROFIT ON ORDINARY ACTIVITIES	2001 \$000	2000 \$000
	UK corporation tax :		
	Current tax on income for the period @ 30%	35,073	27,178
	Adjustments in respect of prior periods	5	-
		<u>35,078</u>	<u>27,178</u>
	Foreign tax:		
	Current tax on income for the period	33	2
	Adjustments in respect of prior periods	184	-
		<u>35,295</u>	<u>27,180</u>
10.	DIVIDENDS	2001 \$000	2000 \$000
	First interim	25,245	7,841
	Second interim	-	34,300
		<u>25,245</u>	<u>42,141</u>
11.	INTANGIBLE ASSETS - Goodwill	\$000	
	Cost:		
	1 January 2001	137,514	
	Arising from acquisitions	1,603	
	Written off on acquisition	(1,603)	
	31 December 2001	<u>137,514</u>	
	Amortisation :		
	1 January 2001	573	
	Provided in the year	6,876	
	31 December 2001	<u>7,449</u>	
	Net book value :		
	31 December 2001	<u>130,065</u>	
	31 December 2000	<u>136,941</u>	

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

## 11. INTANGIBLE ASSETS - Goodwill (continued)

On 1 April 2001 the Company acquired the business and trade of a fellow subsidiary undertaking, Richard Oliver International Limited, for a cash consideration of US\$2,706,000. The assets and liabilities acquired were:

	Book value and fair value \$000
Debtors	1,304
Cash	268
Creditors due within one year	(469)
Net Assets	<u>1,103</u>
Goodwill arising on acquisition	<u>1,603</u>
	<u>2,706</u>

The goodwill arising on the acquisition of Richard Oliver International Limited was written off on acquisition.

## 12. INVESTMENTS HELD AS FIXED ASSETS

	Subsidiary undertakings shares (see note 13) \$000	Other investments (see note 14) \$000	Total \$000
Cost :			
1 January 2001	1,958	6	1,964
Disposals	(180)	-	(180)
31 December 2001	<u>1,778</u>	<u>6</u>	<u>1,784</u>
Provisions :			
1 January 2001	(8)	-	(8)
Disposals	8	-	8
31 December 2001	<u>-</u>	<u>-</u>	<u>-</u>
Net book value :			
31 December 2001	<u>1,778</u>	<u>6</u>	<u>1,784</u>
31 December 2000	<u>1,950</u>	<u>6</u>	<u>1,956</u>

## (a) Disposals :

During the year W.I.R.E. Limited transferred its business to another group undertaking for nil consideration. The Company has written off the \$166,000 cost of this investment.

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

## 13. SHARES IN SUBSIDIARY UNDERTAKINGS

The principal subsidiary undertakings at 31 December 2001 were :

	Class of Share	Percentage of share capital held
<b>INSURANCE BROKING</b>		
Special Contingency Risks Limited	Ordinary of £1 each	100%
Bloodstock & General Insurance Services Limited	Ordinary of £1 each	100%
Claims and Recovery Services Limited	Ordinary of £1 each	100%
Hughes-Gibb and Company Limited	Ordinary of £1 each	100%
Willis CIS LLC (Incorporated in Russia)	Common shares of 10,000 roubles each	100%
Willis Faber Corretaje de Reaseguros S.A. (incorporated in Venezuela)	Common shares of Bs 1,000 each	100%
Willis Faber (Aegean) Limited (in liquidation)	Ordinary of £1 each	100%
<b>E-COMMERCE</b>		
W.I.R.E. Limited	Ordinary 'A' shares of £1 each	100%
	Ordinary 'B' shares of 10p each	100%

All subsidiary undertakings were incorporated in Great Britain except where stated. The Company is exempt from the obligation to prepare Group accounts in accordance with Section 228 of the Companies Act 1985 (as amended) as the Company is ultimately a wholly-owned subsidiary of Willis Group Holdings Limited, in whose accounts it is consolidated. These accounts relate to the Company only and not to its Group.

In the opinion of the directors, the value of the shares in the subsidiary undertaking is not less than the amount shown in the Balance Sheet.

14. OTHER INVESTMENTS	2001 \$000	2000 \$000
Unlisted investments	6	6
15. DEBTORS	2001 \$000	2000 \$000
Due within one year:		
Trade debtors	3,043,695	2,464,318
Amounts owed by group undertakings	364,282	248,828
Amounts owed by associated undertakings	96	5,471
Prepayments and accrued income	15,422	23,375
Other debtors	2,889	2,631
	3,426,384	2,744,623
Due after more than one year :		
Trade debtors	4,230	4,950
	3,430,614	2,749,573

The level of insurance broking debtors is not an indication of credit risk because the position of the insurance broker as agent means that generally the credit risk is borne by the principals. Nor is it an indication of future cashflows 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.

16. INVESTMENTS HELD AS CURRENT ASSETS	2001 \$000	2000 \$000
Unlisted investments	374,778	324,889

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

17.	CREDITORS : amounts falling due within one year	2001 \$000	2000 \$000	
	Bank loans and overdrafts	34	658	
	Trade creditors	3,994,925	3,130,107	
	Amounts owed to group undertakings	210,951	146,841	
	Amounts owed to associated undertakings	7,613	7,715	
	Corporate tax	35,586	30,193	
	Accruals and deferred income	14,211	35,015	
	Other creditors	3,576	3,100	
		<u>4,266,896</u>	<u>3,353,629</u>	
18.	CREDITORS : amounts falling due after more than one year	2001 \$000	2000 \$000	
	Trade creditors	3,748	3,025	
	Accruals and deferred income	575	571	
		<u>4,323</u>	<u>3,596</u>	
19.	PROVISIONS FOR LIABILITIES AND CHARGES	Redundancy provision \$000	Errors & Omissions \$000	Total \$000
	1 January 2001	2,837	9,807	12,644
	Exchange adjustments	(95)	(327)	(422)
	Transferred to group undertakings	(530)	-	(530)
	Profit and loss account movements	643	164	807
	Used in the year	(2,742)	(841)	(3,583)
	Provided / paid by group captive insurer	-	(4,628)	(4,628)
	31 December 2001	<u>113</u>	<u>4,175</u>	<u>4,288</u>
	Errors & omissions provision : Provision comprises estimates for liabilities that may arise from actual and potential claims for errors and omissions. In respect of movements arising during the year, \$3,135,671 is recoverable from the Group's captive insurer. At 31 December 2001, the total amount recoverable from the Group's captive insurer was \$3,249,956 (2000 : \$8,150,000).			
	Redundancy provision: Provision has been made for redundancies. All staff involved have been notified.			
20.	CALLED UP SHARE CAPITAL	2001 \$000	2000 \$000	
	Authorised, allotted, issued and fully paid: 105 million Ordinary shares of £1 each	<u>152,557</u>	<u>152,557</u>	
21.	PROFIT AND LOSS ACCOUNT	2001 \$000	2000 \$000	
	1 January	23,423	4,935	
	Currency translation movements	(303)	(2,439)	
	Retained profit	44,181	20,927	
	31 December	<u>67,301</u>	<u>23,423</u>	
22.	PENSIONS			

The Company is a member of the Willis Pension Scheme, which is funded externally and is of the defined benefit type. Pension contributions are based on pension costs across the Group as a whole. The pension cost is assessed in accordance with the advice of professionally qualified actuaries using the projected unit credit method. The latest valuation was at 31 December 1998, details of which are given in the accounts of Willis Group Holdings Limited.

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

## 22. PENSIONS (continued)

Financial Reporting Standard No.17 'Retirement Benefits' ('FRS17') is effective for periods ending on or after 22 June 2003, with certain disclosures required for periods ending on or after 22 June 2001. The directors consider that the share of the Willis Pension Scheme's underlying assets and liabilities attributable to the Company's employees cannot be separately identified. The Willis Pension Scheme showed an overall surplus of £66.5 million based on the most recent valuation as at 31 December 1998. Full disclosures for the Willis Pension Scheme under FRS17 are included in the accounts of Willis Group Holdings Limited.

## 23. CONTINGENT LIABILITIES

The Company has given guarantees and indemnities to bankers and other third parties amounting to \$82,143 (2000 : \$89,823) [denominated in sterling - £56,650 (2000 : £59,882)].

The Company has given in the ordinary course of its business certain indemnities in respect of marine certificates of insurance issued by underwriters. No liability arose during the year or in the preceding year in respect of these indemnities.

**Assets Subject to Floating Charges**

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

The Group has extensive international operations and the Company is 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.

Group companies, including the Company, 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, including the Company, 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 Company.

The Company maintains insurance, subject to certain deductibles and self-insurance, against such claims, lawsuits and proceedings. The Company has also established provisions against these items which are believed to be adequate in the light of current information and legal advice, and the Company 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 Company's financial condition, results of operations or liquidity.

The Company has guaranteed on a joint and several basis the prompt and complete performance of a fellow subsidiary company in respect of credit facilities ("facilities") made available to that company. As at 31 December 2001 these facilities amounted to \$498.0 million (31 December 2000 : \$557.5 million). The Company's maximum liability under the guarantee cannot cause it to breach the minimum financial resources requirements placed on it by its regulator.

## 24. DIRECTORS' INTERESTS IN CONTRACTS

The undermentioned directors who held office during the period and, where applicable, connected persons (as defined in section 346 of the Companies Act 1985 (as amended)) were Underwriting Members of Lloyd's.

RJS Bucknall	AB Hedgecock
R Chiverrell	Mrs AC Hedley
MDT Faber	

The Company and other insurance broking subsidiary undertakings of Willis Group Holdings Limited place risks with syndicates in which the directors or connected persons (as defined above) participate in the normal course of their broking activities on the same basis as they do with other Lloyd's syndicates.

## 25. RELATED PARTY TRANSACTIONS

Financial Reporting Standard 8 exempts the reporting of transactions between Group companies in the accounts of companies 90% or more of whose voting rights are controlled within the Group. The Company has taken advantage of this exemption.