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# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 6-K

## REPORT OF FOREIGN PRIVATE ISSUER

Pursuant to Rule 13a-16 or 15d-16 of
The Securities Exchange Act of 1934

For the Quarter ended March 31, 2002

## WILLIS GROUP HOLDINGS LIMITED

(Translation of registrant's name into English)

Ten Trinity Square, London EC3P 3AX
(Address of principal executive offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F X Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes No X

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- .)

**WILLIS GROUP HOLDINGS LIMITED**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

**(unaudited)**

| | Three months ended March 31, | |
|---|---|---|
| | **2002** | **2001** |
| | (millions, except per share data) | |
| REVENUES: | | |
| Commissions and fees | $ 436 | $ 359 |
| Interest income | 15 | 16 |
| Total revenues | 451 | 375 |
| EXPENSES: | | |
| General and administrative expenses (excluding non-cash compensation) | 297 | 268 |
| Non-cash compensation — performance options — (Note 6) | 18 | — |
| Depreciation expense | 8 | 9 |
| Amortization of goodwill — (Note 3) | — | 9 |
| Total expenses | 323 | 286 |
| OPERATING INCOME | 128 | 89 |
| INTEREST EXPENSE | 17 | 21 |

| | | |
|---|---|---|
| INCOME BEFORE INCOME TAXES, EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST | 111 | 68 |
| INCOME TAX EXPENSE | 43 | 31 |
| INCOME BEFORE EQUITY IN NET INCOME OF ASSOCIATES AND MINORITY INTEREST | 68 | 37 |
| EQUITY IN NET INCOME OF ASSOCIATES | 6 | 9 |
| MINORITY INTEREST (including $0 and $6, respectively of preferred stock dividends) | (6) | (7) |
| NET INCOME | $ 68 | $ 39 |
| NET INCOME PER COMMON SHARE — (Note 7) | | |
| —Basic | $ 0.46 | $ 0.31 |
| —Diluted | $ 0.43 | $ 0.30 |
| WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING — (Note 7) | | |
| —Basic | 147 | 124 |
| —Diluted | 159 | 132 |

The accompanying notes are an integral part of these condensed consolidated financial statements.



**WILLIS GROUP HOLDINGS LIMITED**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

| | March 31, 2002 | December 31, 2001 |
|---|---|---|
| | (millions, except share data) | |
| | (unaudited) | |
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 183 | $ 128 |
| Fiduciary funds — restricted | 1,341 | 1,282 |
| Short-term investments | 49 | 42 |
| Accounts receivable, net of allowance for doubtful accounts of $26 and $25, respectively | 7,389 | 5,703 |
| Deferred tax assets | 16 | 16 |
| Other current assets | 75 | 78 |
| Total current assets | 9,053 | 7,249 |
| NONCURRENT ASSETS: | | |
| Fixed assets, net of accumulated depreciation of $102 and $95, respectively | 183 | 185 |
| Goodwill, net of accumulated amortization of $118 and $115, respectively | 1,250 | 1,201 |
| Investments in associates | 102 | 135 |
| Deferred tax assets | 64 | 59 |
| Other noncurrent assets | 124 | 120 |
| Total noncurrent assets | 1,723 | 1,700 |
| **TOTAL** | $ 10,776 | $ 8,949 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 8,562 | $ 6,799 |
| Deferred revenue and accrued expenses | 139 | 163 |
| Provisions | 38 | 38 |
| Income taxes payable | 111 | 75 |
| Other current liabilities | 151 | 167 |
| Total current liabilities | 9,001 | 7,242 |

| | | |
|---|---|---|
| NONCURRENT LIABILITIES: | | |
| Long-term debt | 767 | 787 |
| Provisions | 97 | 102 |
| Other noncurrent liabilities | 108 | 106 |
| Total noncurrent liabilities | 972 | 995 |
| Total liabilities | 9,973 | 8,237 |
| COMMITMENTS AND CONTINGENCIES (Note 10) | | |
| MINORITY INTEREST | 23 | 16 |
| STOCKHOLDERS' EQUITY: | | |
| Common shares, $0.000115 par value; Authorized: 4,000,000,000; | | |
| Issued and outstanding, 147,842,120 shares and 147,635,170 shares respectively | — | — |
| Additional paid-in capital | 885 | 867 |
| Accumulated deficit | (97) | (165) |
| Accumulated other comprehensive income (Note 8) | 5 | 5 |
| Treasury stock, at cost, 942,386 and 816,981 shares respectively | (13) | (11) |
| Total stockholders' equity | 780 | 696 |
| **TOTAL** | $ 10,776 | $ 8,949 |

The accompanying notes are an integral part of these condensed consolidated financial statements.



**WILLIS GROUP HOLDINGS LIMITED**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(unaudited)**

| | Three months ended March 31, | |
|---|---|---|
| | **2002** | **2001** |
| | (millions) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $ 68 | $ 39 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 8 | 9 |
| Amortization of goodwill | — | 9 |
| Provision for doubtful accounts | 1 | 2 |
| Minority interest | 6 | 2 |
| Provisions | (3) | (6) |
| Provision for deferred income taxes | (4) | (1) |
| Non-cash compensation expense attributable to performance options | 18 | — |
| Other | (7) | (8) |
| Changes in operating assets and liabilities, net of effects from purchase of subsidiaries | | |
| Fiduciary funds — restricted, net | (80) | (46) |
| Accounts receivable | (1,689) | (1,174) |
| Accounts payable | 1,765 | 1,233 |
| Other | 5 | (21) |
| Net cash provided by operations | 88 | 38 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds on disposal of fixed assets | — | 1 |
| Additions to fixed assets | (5) | (5) |
| Net cash proceeds from sale of operations | — | 4 |
| Acquisition of subsidiaries, net of cash acquired | 6 | (2) |
| Purchase of short-term investments | (18) | (1) |
| Proceeds on sale of short-term investments | 10 | — |
| Net cash used in investing activities | (7) | (3) |

| | | |
|---|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayments of debt | (20) | (23) |
| Proceeds from issue of common shares | — | 1 |
| Purchase of treasury stock | (2) | — |
| Net cash used in financing activities | (22) | (22) |
| INCREASE IN CASH AND CASH EQUIVALENTS | 59 | 13 |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | (4) | (5) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 128 | 88 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | $ 183 | $ 96 |

The accompanying notes are an integral part of these condensed consolidated financial statements.



**WILLIS GROUP HOLDINGS LIMITED**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

## 1. THE COMPANY AND ITS OPERATIONS

***Business***—Willis Group Holdings Limited ("Willis Group Holdings") and subsidiaries (collectively, the "Company") provide a broad range of value-added risk management consulting and insurance brokerage services both directly and indirectly through its associates, to a diverse base of clients internationally. The Company provides specialized risk management advisory and other services on a global basis to clients in various industries, including the construction, aerospace, marine and energy industries. In its capacity as an advisor and insurance broker, the Company acts as an intermediary between clients and insurance carriers by advising clients on risk management requirements, helping clients determine the best means of managing risk, and negotiating and placing insurance risk with insurance carriers through the Company's global distribution network. The Company also provides other value-added services.

***Organization***—Willis Group Holdings was incorporated on February 8, 2001 as an exempted company under The Companies Act 1981 of Bermuda, for the sole purpose of redomiciling the ultimate parent company of the Willis Group (comprised of TA I Limited and subsidiaries) from the United Kingdom ("UK") to Bermuda. On incorporation, Willis Group Holdings was wholly-owned by Profit Sharing (Overseas), Limited Partnership, an affiliate of Kohlberg Kravis Roberts & Co., L.P. and one of the existing stockholders of TA I Limited ("TA I").

Willis Group Holdings, effective from May 8, 2001, exchanged its common shares for all the issued and outstanding ordinary shares of TA I (the "Exchange Offer").

As a result of the Exchange Offer, the former stockholders of TA I acquired a majority voting interest in Willis Group Holdings. Under accounting principles generally accepted in the United States ("US GAAP"), the company whose stockholders retain the majority interest in a combined business must be treated as the acquirer for accounting purposes. Accordingly, the transaction has been accounted for as a "reverse acquisition" for financial reporting purposes with TA I deemed to have acquired 100% of the equity interest in Willis Group Holdings. The relevant acquisition process utilizes the capital structure of Willis Group Holdings and the assets and liabilities of TA I and subsidiaries (collectively, the "Predecessor") have been recorded at historical cost.

The Predecessor is the operating entity for financial reporting purposes, and the financial statements prior to May 8, 2001 represent the Predecessor's financial position and results of operations. The assets and liabilities and results of operations of the Predecessor are included as of May 8, 2001. Although TA I was deemed to be the acquiring corporation for financial accounting and reporting purposes, the legal status of Willis Group Holdings as the surviving corporation did not change. For the three month period ended March 31, 2001, the equity of Willis Group Holdings is the historical equity of TA I prior to the reverse acquisition, retroactively restated to reflect the number of shares received in the exchange offers.

## 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying condensed consolidated financial statements (hereinafter referred to as the "Interim Financial Statements") have been prepared in accordance with US GAAP.



The Interim Financial Statements are unaudited but include all adjustments (consisting of normal recurring adjustments) which the Company's management considers necessary for a fair presentation of the financial position as of such dates and the operating results and cash flows for those periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted. The results of operations for the three month period ended March 31, 2002 may not necessarily be indicative of the operating results that may be incurred for the entire fiscal year.

The December 31, 2001 balance sheet was derived from audited financial statements but does not include all disclosures required by US GAAP. However, the Company believes that the disclosures are adequate to make the information presented not misleading. These Interim Financial Statements should be read in conjunction with the Company's consolidated balance sheets as of December 31, 2001 and 2000, and the related consolidated statements of operations, cash flows and changes in stockholders' equity for each of the three years in the period ended December 31, 2001.

## 3. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets ("SFAS 142"),* with effect from January 1, 2002. For business combinations for which the acquisition date was before July 1, 2001, the Company did not recognize and account for acquired intangible assets as assets separate from goodwill. Accordingly, upon initial adoption of SFAS 142, reclassification of the carrying amounts of previously acquired intangible assets was not required.

In accordance with SFAS 142, the Company no longer amortizes goodwill and other intangible assets that have an indefinite useful life but rather tests such assets at least annually for impairment. The Company will complete its transitional impairment test of goodwill before June 30, 2002. The following pro forma disclosures are given for the three month periods ended March 31:

| | 2002 | 2001 |
|---|---|---|
| | (millions, except per share data) | |
| Net income, as reported | $ 68 | $ 39 |
| Amortization of goodwill | — | 9 |
| Adjusted net income | $ 68 | $ 48 |
| Basic net income per common share, as reported | $ 0.46 | $ 0.31 |
| Amortization of goodwill | — | 0.08 |
| Adjusted basic net income per common share | $ 0.46 | $ 0.39 |
| Diluted net income per common share, as reported | $ 0.43 | $ 0.30 |
| Amortization of goodwill | — | 0.06 |
| Adjusted diluted net income per common share | $ 0.43 | $ 0.36 |



## 4. ACQUISITIONS

On January 1, 2002, the Company acquired a further 22%, in addition to the 45% already owned, in Jaspers Wuppesahl, Germany's third largest insurance broker, to improve the Company'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.) has been accounted for as a subsidiary from the date of acquisition. The aggregate cash purchase price for the further 22% stake was $14 million, of which $5 million was deferred to 2003. The Company initially recorded goodwill of $14 million pending completion of the purchase price allocation.

The following table provides supplemental pro forma information for the period ended March 31, 2001 about the Company's results of operations as though the business combination had been completed as of the beginning of the reporting period:

| | Three months ended March 31, | |
|---|---|---|
| | 2002 Actual | 2001 Pro forma |
| | (millions, except per share data) | |
| Total revenues | $ 451 | $ 399 |
| Income before income taxes, equity in net income of associates and minority interest | 111 | 83 |
| Net income | 68 | 42 |
| Net income per common share | | |
| —Basic | $ 0.46 | $ 0.34 |
| —Diluted | $ 0.43 | $ 0.32 |

## 5. DERIVATIVE FINANCIAL INSTRUMENTS

The financial risks the Company manages through the use of financial instruments are interest rate risk and foreign currency risk. The Company's Board of Directors reviews and agrees on policies for managing each of these risks. The Company has applied *SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities* ("*SFAS 133*"), in accounting for these financial instruments.

***Interest rate contracts***—The fair values of interest rate contracts are recorded in other current and noncurrent assets and liabilities on the balance sheet. Changes in fair value of contracts that are effective cash flow hedges as defined by SFAS 133 are recorded as a component of other comprehensive income with a loss of $1 million recorded for the three month period ended March 31, 2002 (2001: Loss $5 million). Amounts are reclassified from other comprehensive income into earnings when the hedged exposure affects earnings.

For interest rate contracts which were not effective for hedge accounting as defined in SFAS 133, the Company has recorded a loss of $1 million in general and administrative expenses, representing the change in fair value for the three month period ended March 31, 2002 (2001: Loss $7 million).

***Foreign currency contracts***—The fair values of foreign currency contracts are recorded in other current and noncurrent assets and liabilities, with changes in fair value of effective cashflow hedges recorded in other comprehensive income and changes in fair value of ineffective hedges recorded in general and administrative expenses. Amounts are reclassified from other comprehensive income into earnings when the hedged exposure affects earnings.

For the three month period ended March 31, 2002, the Company has recorded $0 in other comprehensive income relating to changes in fair value on contracts which are effective cashflow hedges as defined in SFAS 133 (2001: Gain $1 million). For contracts which were not effective for hedge accounting as defined in SFAS 133, the Company has recorded $0 in general and administrative expenses, representing the change in fair value for the three month period ended March 31, 2002 (2001: Loss $6 million).

**6. NON-CASH COMPENSATION**

Willis Group Holdings applies the intrinsic value method allowed by Accounting Practices Board No.25, *Accounting for Stock Issued to Employees* ("*APB 25*") in accounting for its stock option plans. Under APB 25, compensation expense resulting from awards under variable plans, is measured as the difference between the quoted market price at the date when the number of shares is known (the date the performance conditions are satisfied) and the exercise price; the cost is recognized over the period the employee performs related services. Since the ultimate compensation is unknown until the performance conditions are satisfied, estimates of compensation expense are recorded before the measurement date based on the quoted market price of the common shares at the intervening dates in situations where it is probable that the performance conditions will be attained.

In the third quarter of 2001, management of Willis Group Holdings determined that it was probable that the maximum performance condition would be attained. Accordingly, compensation expense of $18 million ($15 million, net of tax) has been recognized in the three month period ended March 31, 2002 based on the 11.2 million performance options outstanding at that date, a market price of $24.70 and an average elapsed performance period of 72%.

**7. NET INCOME PER COMMON SHARE**

Basic net income per common share, is calculated by dividing net income by the weighted-average number of common shares outstanding during each period. The computation of diluted net income per common share reflects the potential dilution that could occur if dilutive securities and other contracts to issue common shares were exercised or converted into common shares or resulted in the issue of common shares that then shared in the net income of the Company.

The computation of net income per share has been retroactively restated to reflect the number of shares of Willis Group Holdings, after consummation of the exchange offers.



For the three month period ended March 31, 2002, time-based options to purchase 19,012,371 (2001: 17,672,895) common shares and 145,504 restricted shares (2001: 0) were outstanding. The following table represents the basic and diluted net income per common share for the three month period ended March 31:

| | 2002 | 2001 |
|---|---|---|
| | (millions, except per share data) | |
| Basic weighted-average number of common shares outstanding | 147 | 124 |
| Dilutive effect of potentially issuable common shares | 12 | 8 |
| Diluted weighted-average number of common shares outstanding | 159 | 132 |
| Basic net income per common share | $ 0.46 | $ 0.31 |
| Dilutive effect of potentially issuable common shares | (0.03) | (0.01) |
| Diluted net income per common share | $ 0.43 | $ 0.30 |

At March 31, 2002, the minimum threshold to trigger the 11.2 million performance-based options outstanding at that date had not been reached. In accordance with SFAS No. 128, *Earnings per Share,* such options were therefore excluded from the calculation of the reported diluted net income per common share.

**8. ACCUMULATED OTHER COMPREHENSIVE INCOME**

The components of comprehensive income are as follows:

| | Three months ended March 31, | |
|---|---|---|
| | 2002 | 2001 |
| | (millions) | |
| Net income | $ 68 | $ 39 |
| Other comprehensive income (loss), net of tax: | | |
| Foreign currency translation adjustment | 2 | (9) |
| Cumulative effect of accounting change (net of tax of $5) | — | 8 |
| Unrealized holding loss (net of tax of $0) | (1) | — |
| Net loss on derivative instruments (net of tax of $0 and $3) | (1) | (4) |
| Other comprehensive loss, net of tax | — | (5) |
| Comprehensive income | $ 68 | $ 34 |

The components of accumulated other comprehensive income at March 31, 2002, and December 31, 2001, are as follows:

| | 2002 | 2001 |
|---|---|---|
| | (millions) | |
| Net foreign currency translation adjustment | $ (7) | $ (9) |
| Net cumulative effect of accounting change | 8 | 8 |
| Net unrealized holding gains | — | 1 |
| Net gain on derivative instruments | 4 | 5 |
| Accumulated other comprehensive income | $ 5 | $ 5 |



**9. STOCKHOLDERS' EQUITY**

On June 11, 2001, Willis Group Holdings issued 23,000,000 common shares at $13.50 per share in an initial public offering. The net proceeds amounted to $280 million after deducting underwriting discounts, commissions and other expenses of the offering of $30 million. The net proceeds were used to redeem all the outstanding $273 million preference shares of a subsidiary on June 29, 2001.

**10. COMMITMENTS AND CONTINGENCIES**

In common with many companies involved in selling personal pension plans in the UK, the Company'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 and 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.

At March 31, 2002, the Company had a provision of $28 million relating to this issue. Although the Company considers these 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.

At March 31, 2002, the Company had a provision of $25 million for discontinued operations that includes estimates for future costs of administering the run-off of the Company's former UK underwriting operations. Willis Faber (Underwriting Management) Limited ("WFUM"), a wholly-owned subsidiary of the Company, provided underwriting agency and other services to certain insurance companies including Sovereign Marine & General Insurance Company Limited ("Sovereign") (in Scheme of Arrangement) (collectively, the "stamp companies") and in 1991 ceased arranging new business on behalf of the stamp companies. Willis Faber Limited has agreed with certain of the stamp companies to fund certain costs of the run-off, subject to agreed guidelines as to timing and amount. Although the Company expects the run-off to be conducted in an orderly manner, it may ultimately prove to be a lengthy and expensive process. The amounts to be funded under the run-off arrangements are currently within the aggregate of the provisions made.

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. Some of those claims, lawsuits and proceedings seek damages in amounts which could, if assessed, be significant.

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 September 11, 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 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, either individually or in the aggregate, will have a material adverse effect on the Company's financial condition, results of operations or liquidity.

**11. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

The following table provides supplemental disclosures of cash flow information:

| | Three months ended March 31, | |
|---|---|---|
| | 2002 | 2001 |
| | (millions) | |

| | | |
|---|---|---|
| Cash payments for income taxes | $ 10 | $ 10 |
| Cash payments for interest | $ 28 | $ 32 |

The following table provides supplemental disclosures of non-cash flow investing and financing activities:

| | Three months ended March 31, | |
|---|---|---|
| | 2002 | 2001 |
| | (millions) | |
| Acquisitions: | | |
| Fair value of assets acquired | $ 72 | $ 8 |
| Less: liabilities assumed | (71) | (8) |
| Cash acquired | (19) | (1) |
| Acquisitions, net of cash acquired | $ (18) | $ (1) |

**12. SEGMENT INFORMATION**

The Company conducts its worldwide insurance brokerage activities through three operating segments: Global, North America and International. Each operating segment exhibits similar economic characteristics, provides similar products and services and distributes same through common distribution channels to a common type or class of customer. In addition, the regulatory environment in each region is similar. Consequently, for financial reporting purposes the Company has aggregated these three operating segments into one reportable segment.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**Summary**

Total revenues increased by $76 million (20%) to $451 million in the first quarter of 2002 from $375 million in the first quarter of 2001. Total revenues for the first quarter of 2002 benefitted from the consolidation from January 1, 2002 of Jaspers Wuppesahl which generates a significant portion of its revenue during the first quarter. Excluding the effects of acquisitions (including Jaspers Wuppesahl) and disposals and adjusting for foreign currency exchange rate movements, total revenues were 17% higher in the first quarter of 2002 than in the corresponding quarter of 2001. The increase in revenues was predominantly due to new business growth and, to a lesser extent, the impact of higher premium rates prevailing in the market.

Operating income increased by $39 million (44%) to $128 million in the first quarter of 2002 from $89 million in the first quarter of 2001. Excluding the non-cash compensation charge in 2002 for performance-based stock options of $18 million and the non-cash amortization of goodwill of $9 million in 2001, operating income increased by $48 million (49%) in the first quarter of 2002 over the corresponding period of 2001. In the first quarter of 2002, EBITDA margin, or the ratio of revenues less general and administrative expenses to revenues, was 34% compared to 28% for the first quarter of 2001.

Net income increased by $29 million (74%) to $68 million ($0.43 per diluted share) in the first quarter of 2002 from net income of $39 million ($0.30 per diluted share) in the first quarter of 2001.

Management believes that operating cash earnings is a measure helpful to investors because it shows the results of our trading and finance costs without the impact of non-cash items. Operating cash earnings increased by $35 million (73%) in the first quarter of 2002 compared with the first quarter of 2001. The derivation of operating cash earnings from net income under U.S. GAAP is shown below:

| | Three months ended March 31, | |
|---|---|---|
| | 2002 | 2001 |
| | ($ in millions, except per share data) | |
| Net income, as reported | $ 68 | $ 39 |
| Non-cash compensation—performance options (net of tax $3) | 15 | — |
| Amortization of goodwill | — | 9 |
| Operating cash earnings | $ 83 | $ 48 |
| Weighted-average number of common shares outstanding: | | |
| —diluted | 159 | 132 |
| —dilutive effect of performance options | 7 | — |

| | | | | |
|---|---|---|---|---|
| Average diluted shares, operating basis | | 166 | | 132 |
| Net income per share—diluted, as reported | $ | 0.43 | $ | 0.30 |
| Operating cash earnings per diluted share, operating basis | $ | 0.50 | $ | 0.36 |



At March 31, 2002, the year-to-date results had not reached the minimum threshold target (based on full-year results) to trigger the performance options. In accordance with Statement of Financial Accounting Standards No. 128, *Earnings per Share*, such options were therefore excluded from the calculation of the reported net income per diluted share. However, management believes it is likely that the performance options will ultimately vest in full. It is therefore helpful to investors to present operating cash earnings per diluted share on the assumption that the performance options had vested in full at March 31, 2002. On this basis, an additional 7 million shares would be added to the average number of diluted shares outstanding for the first quarter of 2002 increasing the number of shares outstanding from 159 million to 166 million.

Operating cash earnings per diluted share on this basis is $0.50 for the first quarter of 2002 compared with $0.36 for the first quarter of 2001, an increase of 39%.

**Revenues**

Commissions and fees increased by $77 million (21%) to $436 million in the first quarter of 2002 from $359 million in the first quarter of 2001 and interest income decreased by $1 million (6%) to $15 million in the first quarter of 2002 from $16 million in the corresponding period of 2001.

*Global:* Revenues generated by our Global business increased by $31 million (14%) to $247 million in the first quarter of 2002 from $216 million in the first quarter of 2001. Adjusting for the disposal of Willis National in July 2001, revenues increased by 19% in constant currency terms. Global's specialty businesses, aerospace, marine and reinsurance, continued to benefit from a pronounced increase in the premium rates prevailing in these markets and new business successes.

*North America:* Revenues generated by our North America business increased by $18 million (15%) to $135 million in the first quarter of 2002 from $117 million in the first quarter of 2001. In constant currency terms, revenues increased by 15%. Adjusting for the acquisition of Richard N. Goldman & Co., effective December 31, 2001, revenues increased by 12%. The U.S. middle market experienced significant premium rate increases across all lines.

*International:* Revenues generated by our International business increased by $27 million (64%) to $69 million in the first quarter of 2002 from $42 million in the first quarter of 2001. Adjusting for the effect on revenues of an additional 22% investment in Jaspers Wuppesahl, which resulted in a change in accounting from the equity method to full consolidation, International revenues increased by 17% in constant currency terms led by good performances in Europe, the Eastern Hemisphere and Australia.

**Expenses**

Total expenses increased by $37 million (13%) to $323 million in the first quarter of 2002 from $286 million in the first quarter of 2001. General and administrative expenses (excluding non-cash compensation) increased by $29 million (11%) to $297 million from $268 million in the first quarter of 2001. Excluding the effect of foreign currency exchange rate movements and the effect of acquisitions and disposals, general and administrative expenses grew by 11% in the first quarter of 2002 compared to the first quarter of 2001. Much of the increase related to increased incentive compensation due to positive results and the impact of hiring production and sales executives.



The non-cash charge for performance-based stock options in the first quarter of 2002 amounted to $18 million ($15 million after tax). As previously disclosed, this charge recognizes performance-based stock options granted to management by the Board of Directors as part of the 1998 acquisition of our predecessor for meeting or exceeding 2001 and 2002 performance targets. The cumulative charge represents approximately 72% of the total estimated charge based on the March 31, 2002 stock price of $24.70. The remaining performance-based stock option charge will be calculated according to the vesting schedule and any change in the stock price during 2002, and will be recognized quarterly through 2004.

The Company adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (SFAS 142), effective from January 1, 2002. In accordance with SFAS 142, the Company no longer amortizes goodwill and intangible assets but rather tests such assets at least annually for impairment. Management does not expect any impairment charges to result from the implementation of SFAS 142. Amortization of goodwill in the first quarter of 2001 amounted to $9 million.

**Interest Expense**

Interest expense of $17 million in the first quarter of 2002 was $4 million lower than in the first quarter of 2001, reflecting generally lower interest rates and lower principal amounts of debt outstanding following the early repayment of debt. Interest expense represents interest payable on long-term debt consisting of the senior credit facilities and the 9% senior subordinated notes due 2009.

**Income Taxes**

Income tax expense for the first quarter of 2002 amounted to $43 million, giving an effective tax rate of 39%, compared with 46% in the corresponding period of 2001. Adjusting for the non-cash performance option charge, of which only approximately 40% is tax deductible, and excluding goodwill amortization charges, for which no tax deductions are available, the underlying tax rate for the first quarter of 2002 was 36%, compared with 40% in the corresponding period of 2001.

**Associates**

Equity in net income of our associates was $6 million in the first quarter of 2002, compared with $9 million in the corresponding period of 2001, reflecting the increased investment in Jaspers Wuppesahl from January 1, 2002 when that former associate became a subsidiary.

**Minority Interest**

Minority interest for the first quarter of 2002 was $6 million compared with $7 million for the first quarter of 2001. Minority interest for the first quarter of 2001 included $6 million in respect of dividends on preference shares that were redeemed in June 2001. The increase in the first quarter of 2002, after excluding the amount attributable to preference shares in 2001, was largely due to the consolidation of Jaspers Wuppesahl (in which we now own a 67% interest) as a subsidiary from January 1, 2002.

**Liquidity and Capital Resources**

Net cash provided by operations increased by $50 million to $88 million in the three months ended March 31, 2002 from $38 million in the corresponding period of 2001. This increase was due mainly to increasing revenue and improving operating margins.



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On January 1, 2002, the Company acquired a further 22% interest, in addition to the 45% already owned, in Jaspers Wuppesahl, Germany's third largest insurance broker. Accordingly, Jaspers Wuppesahl (since renamed Willis GmbH & Co. K.G.) has been accounted for as a subsidiary from the date of acquisition. The aggregate cash purchase price was $14 million, of which $5 million was deferred to 2003.

Total long-term debt outstanding as of March 31, 2002 was $767 million, down from $787 million at the end of 2001 following repayment of term loans totaling $20 million.

At March 31, 2002, our cash and cash equivalents aggregated $183 million, an increase of $55 million from December 31, 2001. We expect that internally generated funds will be sufficient to meet our foreseeable operating cash requirements, capital expenditures and scheduled debt repayments, the next of which is not due until 2005. In addition, we have an undrawn $150 million revolving credit facility.

**Forward looking information**

This quarterly statement contains certain statements relating to future results, which are forward looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or those anticipated, depending on a variety of factors such as general economic conditions in different countries around the world, changes in premium rates, the competitive environment and the actual cost of resolution of contingent liabilities. Further information concerning the Company and its business, including factors that potentially could materially affect the Company's financial results are contained in the Company's filings with the Securities and Exchange Commission.



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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WILLIS GROUP HOLDINGS LIMITED

By: /s/ THOMAS COLRAINE

Thomas Colraine
*Group Chief Financial Officer*

Date: May 6, 2002

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