WILLIS CORROON JAPAN LIMITED

(Registered No. 1689758)

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1998

DIRECTORS
MP Chitty
MDT Faber (appointed 1 March 1999)
AJF Pace

SECRETARY

TM Warren

REGISTERED OFFICE

Ten Trinity Square
London EC3P 3AX

AUDITORS

Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998

The directors present their report, together with the accounts, for the year ended 31 December 1998.

PRINCIPAL ACTIVITY AND PERFORMANCE REVIEW

The Company is an intermediary assisting in Japanese retail insurance, international insurance and reinsurance activities and has established an office in Tokyo, Japan. The directors do not anticipate any change in the Company's position during 1999.

RESULTS AND DIVIDENDS

The loss on ordinary activities after taxation amounted to £21,000. The directors do not recommend the payment of a dividend.

CREDITOR PAYMENT POLICY

The Company's supplies and purchases are administered by a fellow group undertaking, Willis Corroon Group Services Limited, who agrees the terms and conditions for its business transactions with suppliers.

DIRECTORS

The present directors of the Company are named on page 1 which forms part of this report.

The directors who held office on 31 December 1998 and whose interests are not reported in the accounts of a parent company had the following interests in the Management Ordinary Shares of TAI Limited, the ultimate parent company, as recorded in the register kept for the purpose.

Director	Management ordinary shares of 10p each (1)	Options over management ordinary shares of 10p each (2)
MP Chitty	12,000	138,000
AJF Pace	20,000	50,000

Notes
(1) No director had an interest in the shares of TA I Limited on 1 January 1998.
(2) All options were granted effective from 18 December 1998.
(3) The Willis Corroon Group Employee Share Ownership Plan, a discretionary trust established by the Company, held until 6 November 1998 ordinary shares of the Company. These shares were exchanged for cash as a consequence of the Company's acquisition by Trinity.

YEAR 2000 COMPLIANCE

The Willis Corroon Group has conducted a review of its computer systems, which include those used by the Company, to identify those that could be affected by the Year 2000 date change and are nearing completion of a plan to be year 2000 compliant prior to 31 December 1999. As part of the review, external consultants working with Willis Corroon Group's information technology staff have tested computer systems and identified problem areas. The Group has budgeted £4.2 million for expenditures related to the year 2000 compliance programme.

While the Company believes that appropriate steps have been taken to achieve year 2000 compliance in a timely fashion, there can be no assurance that its computers, or those of third parties with whom it conducts business, will be year 2000 compliant prior to 31 December 1999.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998 (continued)

EURO

On 1 January 1999 the "Euro" replaced the currencies of eleven member states of the European Union, including countries in which we operate. Our business systems have been adapted to accommodate the introduction of the Euro and we are able to conduct business in euros.

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 12 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.

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

By Order of the Board

TM Warren
Secretary

29 June 1999

Ten Trinity Square
London EC3P 3AX

REPORT OF THE AUDITORS TO THE MEMBERS OF WILLIS CORROON JAPAN LIMITED

We have audited the accounts on pages 5 to 12 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

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

Basis of opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the 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 accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion
In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Registered Auditor
London

3, June 1999

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

	Note	1998 £000	1997 £000
Turnover	3	375	312
Other income	3	3,157	2,313
OPERATING REVENUE		3,532	2,625
Operating expenses		3,505	2,665
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	4	27	(40)
Tax on profit/(loss) on ordinary activities	7	48	35
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(21)	(75)
RETAINED LOSS	15	(21)	(75)

RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 1998

There are no recognised gains or losses other than the loss attributable to shareholders of the Company of £21,000 in the year ended 31 December 1998 and of £75,000 in the year ended 31 December 1997.

BALANCE SHEET AT 31 DECEMBER 1998

	Note	1998 £000	1997 £000
FIXED ASSETS			
Tangible assets	8	145	81
CURRENT ASSETS			
Debtors	9	603	646
Investments	10	15	37
Deposits and cash		282	126
		900	809
CURRENT LIABILITIES			
CREDITORS : amounts falling due within one year	11	580	404
NET CURRENT ASSETS		320	405
TOTAL ASSETS LESS CURRENT LIABILITIES		465	486
CREDITORS : amounts falling due after more than one year	12	460	460
		5	26
CAPITAL AND RESERVES			
Called up share capital	14	1	1
Profit and loss account	15	4	25
SHAREHOLDERS' FUNDS		5	26

Approved on behalf of the Board on 29 June 1999.

Michael Faber

M D T Faber
Director

MOVEMENT IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1998

	1998 £000	1997 £000
Loss for the financial year	(21)	(75)
Net movement in shareholders' funds for the year	(21)	(75)
Shareholders' funds at 1 January	26	101
Shareholders' funds at 31 December	5	26

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1998

1. ULTIMATE PARENT COMPANY

The Company is a wholly owned subsidiary of Willis Faber Limited. From 16 September 1998 the ultimate parent company is TA I Limited and the ultimate controlling party is KKR 1996 Overseas, Limited.

The largest group in which the results of the Company are consolidated is that headed by TA I Limited, with the smallest group being headed by Willis Corroon Group Limited. The consolidated accounts for these groups are available to 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) Turnover
The Company takes credit for brokerage and fee income at the date when the insured is debited or at the inception date of the policy, whichever is the later.

(c) Currency Translation
Transactions in foreign 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. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Differences arising from trading activities are dealt with in the profit and loss account.

(d) Depreciation
Depreciation is calculated on a reducing balance basis at rates estimated to write down the value of assets, to a residual value of 10% of cost, over their expected useful lives. The rates generally used are:

Furniture & equipment	14.2 per cent per annum
Long leasehold properties	14.2 per cent per annum

(e) Deferred taxation
Provision for deferred taxation is made using the liability method for all timing differences to the extent that it is probable that a liability will crystallise.

(f) Pensions
Japanese staff retirement allowance
The cost of providing post-retirement benefit is charged to profit and loss account over the periods benefiting from the employees' services, based on the cumulative length of qualifying service of each employee.

UK staff 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.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1998 (continued)

3. TURNOVER AND OTHER INCOME

The table below analyses the Company's turnover and other income 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.

	1998 £000	1997 £000
United Kingdom	2,883	2,163
North America	274	150
Rest of the World	375	312
	3,532	2,625

Other income which makes up all the income from UK and USA represents fees received from group undertakings as reimbursement for services performed on their behalf.

Turnover which makes up all the income from rest of the world represents income derived from Japanese insurance companies.

4. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998 £000	1997 £000
The profit/(loss) on ordinary activities before taxation was arrived at after charging:		
Auditors remuneration :		
Audit fees	3	2
Audit fees to other firms	4	4
Depreciation on :		
Long leasehold property	3	3
Owned assets	23	21
Operating lease rentals:		
Land and buildings	93	106

5. EMPLOYEES

	1998 £000	1997 £000
Employee costs net of amounts reimbursed by fellow subsidiary undertakings during the year consisted of :		
Salaries	1,681	1,493
Social security costs	138	133
Other pension costs	149	126
	1,968	1,752

	1998 Number	1997 Number
Number of employees - average for the year	27	24

Certain members of staff working for the Company in the United Kingdom are employed by other subsidiary undertakings of TA I Limited. The Company bears the cost of the salaries, social security payments and pension contributions relating to such staff and reimburses the employing company for the full amount of the costs incurred, as shown above.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1998 (continued)

6. DIRECTORS' EMOLUMENTS

	1998 £000	1997 £000
Remuneration, excluding pension contributions	112	43
Benefits	1	10
	113	53

The remuneration of the highest paid director of the Company (excluding pension contributions) was £112,949 (1997 : £53,109).

	1998 Number	1997 Number
Directors exercising share options	1	-
Directors receiving shares under Long Term Incentive Plans	1	1
Directors eligible for defined benefit pension schemes	2	2

7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	1998 £000	1997 £000
Charge for the year:		
UK corporation tax @ 31% (1997 : 31.5%)	70	40
Deferred taxation (note 13)	(22)	(5)
	48	35

8. TANGIBLE ASSETS

	Long leasehold property £000	Furniture equipment and vehicles £000	Total £000
Cost :			
1 January 1998	45	118	163
Additions	-	98	98
Disposals	-	(21)	(21)
31 December 1998	45	195	240
Depreciation :			
1 January 1998	25	57	82
Provision for year	3	23	26
Disposals	-	(13)	(13)
31 December 1998	28	67	95
Net book value 31 December 1998	17	128	145
Net book value 31 December 1997	20	61	81

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1998 (continued)

9. DEBTORS

	1998 £000	1997 £000
Due within one year:		
Amounts owed by group undertakings	465	546
Other debtors	32	16
	497	562
Due after more than one year :		
Deferred tax (see note 13)	106	84
	603	646

10. INVESTMENTS HELD AS CURRENT ASSETS

	1998 £000	1997 £000
Other current investments :		
Cost	91	91
Market value	15	37

This investment represents the membership of a Japanese golf club stated at market value, at the rate of exchange on 31 December.

11. CREDITORS : amounts falling due within one year

	1998 £000	1997 £000
Corporate tax	70	40
Accruals and deferred income	510	364
	580	404

12. CREDITORS : amounts falling due after more than one year

	1998 £000	1997 £000
Amounts owed to group undertakings	460	460

13. DEFERRED TAX

	1998 £000	1997 £000
1 January	84	79
Transfer to profit and loss account :		
Current year provision	22	5
31 December	106	84
Deferred tax has been provided in full in respect of liabilities arising from the following:		
Other timing differences	106	84

14. CALLED UP SHARE CAPITAL

	1998 £000	1997 £000
Authorised, allotted, issued and fully paid:		
1,000 ordinary shares of £1 each	1	1

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1998 (continued)

15. PROFIT AND LOSS ACCOUNT

	1998 £000	1997 £000
1 January	25	100
Retained loss	(21)	(75)
31 December	4	25

16. PENSIONS

Officers and employees of the Tokyo branch are covered by an unfunded retirement allowance plan. Allowance amounts are provided based on length of service, standard monthly salary at date of termination and whether termination is voluntary or involuntary (involuntary termination is considered to occur upon mandatory retirement at the age of 60, death or certain other instances). The reserve for retirement allowance within accruals represents 100% of the aggregate liability computed under the assumption that all officers and employees involuntarily terminate at the balance sheet date (1998 : £194,340 - 1997 : £122,318).

17. COMMITMENTS

	Land & Buildings	
	1998 £000	1997 £000
Operating lease commitments		
Payments committed to be made within one year by the Company for leases expiring:		
After five years	86	78

18. RELATED PARTY TRANSACTIONS

Financial Reporting Standard 8 exempts the reporting of transactions between Group companies. The Company has taken advantage of this exemption.