

WILLIS CORROON JAPAN LIMITED
(Registered Company No. 1689758)

DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1997

DIRECTORS

M P Chitty
A J F Pace

SECRETARY

T M Warren

REGISTERED OFFICE

Ten Trinity Square
London EC3P 3AX

AUDITORS

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



DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997

The directors present their report, together with the accounts for the year ended 31 December 1997.

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 1998.

RESULTS AND DIVIDENDS

The loss on ordinary activities after taxation amounted to £75,000.

The directors do not recommend the payment of a dividend.

CREDITOR PAYMENT POLICY

The Company's creditor payment policy is described in the accounts of Willis Corroon Group Services Limited, a fellow group undertaking which arranges the supplies and services on behalf of the Company.

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 1997 and whose interests are not reported in the accounts of a parent company had the following interests in the ordinary shares of Willis Corroon Group plc, the ultimate parent company, as recorded in the register kept for the purpose.

Director	Ordinary Shares of 12½p each		Options over Ordinary Shares of 12½p each			
	<u>1.1.97</u>	<u>31.12.97</u>	<u>1.1.97</u>	<u>Granted</u>	<u>Exercised</u>	<u>31.12.97</u>
M P Chitty	55,243	82,114	135,223	-	-	135,223
A J F Pace	949	1,083	3,786	-	-	3,786

The Company's ultimate parent company, Willis Corroon Group plc, has established the Willis Corroon Group Employee Share Ownership Plan (the "Plan") which is a discretionary trust and holds ordinary shares of Willis Corroon Group plc. The directors of the Company, who are employees of the Group, are members of the class of potential beneficiaries under the Plan and are to that extent interested in the unallocated Willis Corroon Group plc shares held by the Plan. At 31 December 1997 the Plan held 436,017 unallocated shares.

Shares to be awarded under the Willis Corroon Group's Equity Partnership Plan were forfeited on 1 January 1998 as the performance targets were not met.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997 (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 13 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.

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).

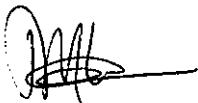
The directors are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

AUDITORS

An Elective Resolution dispensing with the requirement to re-appoint 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



T M Warren
Secretary

21 April 1998
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 13 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 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A large, stylized handwritten signature in black ink, consisting of a large loop at the top and a horizontal line at the bottom.

Ernst & Young
Chartered Accountants
Registered Auditor
London

21/4/1998

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997

	Notes	1997 £000	1996 £000
Turnover	3	312	295
Other income	3	2,313	2,218
		<hr/>	<hr/>
OPERATING REVENUE		2,625	2,513
Operating Expenses		<hr/> 2,665	<hr/> 2,470
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(40)	43
Tax on (loss)/profit on ordinary activities	7	<hr/> 35	<hr/> 55
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(75)	(12)
		<hr/>	<hr/>
RETAINED LOSS	15	(75)	(12)

Recognised gains and losses

There are no recognised gains or losses other than the loss attributable to shareholders of the Company of £75,000 in the year ended 31 December 1997 and the loss of £12,000 in the year ended 31 December 1996.

WILLIS CORROON JAPAN LIMITED

BALANCE SHEET AT 31 DECEMBER 1997

	Notes	1997 £000	1996 £000
FIXED ASSETS			
Tangible assets	8	<u>81</u>	<u>72</u>
CURRENT ASSETS			
Debtors	9	646	665
Investments	10	37	60
Deposits and cash		126	72
		<u>809</u>	<u>797</u>
CURRENT LIABILITIES			
CREDITORS : amounts falling due within one year	11	<u>404</u>	<u>308</u>
NET CURRENT ASSETS		<u>405</u>	<u>489</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		486	561
CREDITORS : amounts falling due after more than one year			
	12	460	460
		<u>26</u>	<u>101</u>
CAPITAL AND RESERVES			
Called up share capital	14	1	1
Profit and loss account	15	25	100
SHAREHOLDERS' FUNDS		<u>26</u>	<u>101</u>

Approved on behalf of the Board on 21 April 1998.


A J F Pace
Director

MOVEMENT IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1997

	1997 £000	1996 £000
Result for the financial year	<u>(75)</u>	<u>(12)</u>
Net movement in shareholders' funds for the year	(75)	(12)
Shareholders' funds at 1 January	<u>101</u>	<u>113</u>
Shareholders' funds at 31 December	<u>26</u>	<u>101</u>

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1997

1. ULTIMATE PARENT COMPANY

The Company is a wholly-owned subsidiary of Willis Faber Limited. The ultimate parent company is Willis Corroon Group plc. Copies of Willis Corroon Group plc's accounts 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) 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:

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

(e) Deferred tax

Provision for deferred tax 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 1997 (continued)

3. TURNOVER AND OTHER INCOME

The table below analyses the Company's turnover and other income by the address of the client from whom the business is derived. This does not necessarily reflect the original source or location of the business.

	1997 £000	1996 £000
United Kingdom	2,163	1,851
North America	150	367
Rest of the world	312	295
	<u>2,625</u>	<u>2,513</u>

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 acting as an agent for Japanese insurance companies.

4. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1997 £000	1996 £000
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The (loss)/profit on ordinary activities before taxation was arrived at after charging:

Auditors' remuneration		
Audit fees	2	6
Audit fees to other firms	4	-
Depreciation on:		
Long Leasehold property	3	3
Owned assets	21	5
Operating Lease Rentals		
Land and Buildings	106	133
	<u>106</u>	<u>133</u>

5. EMPLOYEES	1997 £000	1996 £000
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Employee costs during the year consisted of :

Salaries	1,493	1,194
Social security costs	133	95
Other pension costs	126	118
	<u>1,752</u>	<u>1,407</u>

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1997 (continued)

5. EMPLOYEES (continued)	1997 Number	1996 Number
Number of employees - at 31 December	26	13
- average for the year	24	14

Certain members of staff working for the Company in the United Kingdom are employed by other subsidiary undertakings of Willis Corroon Group plc. 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.

6. DIRECTORS' EMOLUMENTS	1997 £000	1996 £000
Remuneration, excluding pension contributions	43	72
Benefits	10	11
	<u>53</u>	<u>83</u>

The remuneration of the highest paid director of the Company (excluding pension contributions) was £53,109 (1996: £83,853).

	1997 Number	1996 Number
Directors exercising share options	-	-
Directors receiving shares under long term incentive plans	1	1
Directors eligible for defined benefit pension schemes	2	2

7. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	1997 £000	1996 £000
Charge for the year:		
UK corporation tax @ 31.5% (1996: 33%)	40	61
Deferred tax (note 13)	(5)	6
	<u>35</u>	<u>67</u>
Corporation tax overprovided in previous years	-	(12)
	<u>35</u>	<u>55</u>

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1997 (continued)

8. TANGIBLE ASSETS

	Long leasehold property	Furniture equipment and vehicles	Total
	£000	£000	£000
Cost:			
1 January 1997	43	89	132
Additions	2	31	33
Disposals	-	(2)	(2)
	<hr/>	<hr/>	<hr/>
31 December 1997	45	118	163
	<hr/>	<hr/>	<hr/>
Depreciation:			
1 January 1997	22	38	60
Provision for year	3	21	24
Disposals	-	(2)	(2)
	<hr/>	<hr/>	<hr/>
31 December 1997	25	57	82
	<hr/>	<hr/>	<hr/>
Net book value 31 December 1997	20	61	81
	<hr/>	<hr/>	<hr/>
Net book value 31 December 1996	21	51	72
	<hr/>	<hr/>	<hr/>

9. DEBTORS

	1997 £000	1996 £000
Due within one year:		
Amounts owed by group undertakings	546	571
Other debtors	16	15
	<hr/>	<hr/>
	562	586
	<hr/>	<hr/>
Due after more than one year:		
Deferred tax (see note 13)	84	79
	<hr/>	<hr/>
	646	665
	<hr/>	<hr/>

10. INVESTMENTS HELD AS CURRENT ASSETS

	1997 £000	1996 £000
Other current investments:		
Cost	91	91
	<hr/>	<hr/>
Market value	37	60
	<hr/>	<hr/>

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

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1997 (continued)

11. CREDITORS : amounts falling due within one year	1997 £000	1996 £000
Amounts owed to group undertakings	-	35
Corporate tax	40	60
Accruals	364	213
	<u>404</u>	<u>308</u>
12. CREDITORS : amounts falling due after more than one year	1997 £000	1996 £000
Amounts owed to group undertakings	<u>460</u>	<u>460</u>
13. DEFERRED TAX	1997 £000	1996 £000
1 January	79	85
Transfer to profit and loss account	5	(6)
31 December	<u>84</u>	<u>79</u>
In respect of:		
Other timing differences	<u>84</u>	<u>79</u>
14. CALLED UP SHARE CAPITAL	1997 £000	1996 £000
Authorised, allotted, issued and fully paid: 1,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>
15. PROFIT AND LOSS ACCOUNT	1997 £000	1996 £000
1 January	100	112
Retained loss	(75)	(12)
31 December	<u>25</u>	<u>100</u>

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1997 (continued)

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 (1997 - £122,318 1996 - £89,714).

17. COMMITMENTS	1997 £000	1996 £000
Operating lease commitments		
Payments committed to be made within one year by the Company for leases expiring:		
Land and buildings		
Expiry of lease after five years	<u>78</u>	<u>100</u>

18. RELATED PARTY TRANSACTIONS

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