WILLIS CORROON JAPAN LIMITED
(Registered Company No. 1689758)

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1996

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 1996

The directors present their report, together with the accounts for the year ended 31 December 1996.

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 1997.

RESULTS AND DIVIDENDS

The loss on ordinary activities after taxation amounted to £12,000.

The directors do not recommend the payment of a dividend.

CREDITOR PAYMENT POLICY

The Company settles its insurance broking transactions in accordance with the terms and conditions of the market in which it trades and with its clients on the terms agreed with them. For other trade creditors it is the Company's policy to:

- agree the terms of payment at the start of the business with that supplier;
- ensure that suppliers are aware of the terms of payment;
- pay in accordance with its contractual and other legal obligations.

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 1996 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			
	1.1.96	31.12.96	1.1.96	Granted	Exercised	31.12.96
M P Chitty	39,242	55,243	138,478	-	-	135,223
A J F Pace	871	949	5,593	-	-	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 1996 the Plan held 40,950 unallocated shares.

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

1 April 1997
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 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 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Chartered Accountants
Registered Auditor
London

1 April 1997

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996

	Notes	1996 £000	1995 £000
Turnover	3	295	233
Other income	3	2,218	1,070
OPERATING REVENUE		2,513	1,303
Operating Expenses		2,470	1,208
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	43	95
Tax on profit on ordinary activities	7	55	43
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(12)	52
RETAINED (LOSS)/EARNINGS	15	(12)	52

Recognised gains and losses

There are no recognised gains or losses other than the loss attributable to shareholders of the Company of £12,000 in the year ended 31 December 1996 and the profit of £52,000 in the year ended 31 December 1995.

BALANCE SHEET AT 31 DECEMBER 1996

	Notes	1996 £000	1995 £000
FIXED ASSETS			
Tangible assets	8	72	48
CURRENT ASSETS			
Debtors	9	586	487
Investments	10	60	81
Deposits and cash		72	142
		718	710
CURRENT LIABILITIES			
CREDITORS : amounts falling due within one year	11	308	270
NET CURRENT ASSETS		410	440
TOTAL ASSETS LESS CURRENT LIABILITIES		482	488
CREDITORS : amounts falling due after more than one year	12	460	460
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred Tax	13	(79)	(85)
		101	113
CAPITAL AND RESERVES			
Called up share capital	14	1	1
Profit and loss account	15	100	112
SHAREHOLDERS' FUNDS		101	113

Approved on behalf of the Board on 1 April 1997.

Andrew Pace

A J F Pace
Director

MOVEMENT IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1996

	1996 £000	1995 £000
Result for the financial year	(12)	52
Net movement in shareholders' funds for the year	(12)	52
Shareholders' funds at 1 January	113	61
Shareholders' funds at 31 December	101	113

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1996

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
Motor vehicles	31.9 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 1996 (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.

	1996 £000	1995 £000
United Kingdom	1,851	803
North America	367	267
Rest of the world	295	233
	2,513	1,303

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. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1996 £000	1995 £000
The profit on ordinary activities before taxation was arrived at after charging:		
Auditors' remuneration		
Audit fees	6	2
Other services provided by Ernst & Young in the United Kingdom	-	1
Audit fees to other firms	-	5
Depreciation on		
Long Leasehold property	3	3
Owned assets	5	11
Operating Lease Rentals		
Land and Buildings	133	157

5. EMPLOYEES

	1996 £000	1995 £000
Employee costs during the year consisted of :		
Salaries	1,194	598
Social security costs	95	45
Other pension costs	118	40
	1,407	683

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)

5. EMPLOYEES (continued)

	1996 Number	1995 Number
Number of employees - at 31 December	13	8
- average for the year	14	7

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

	1996 £000	1995 £000
Remuneration, including pension contributions	72	65
Benefits	11	11
Employer's pension contributions	11	10
	94	86

The remuneration of the directors of the Company (excluding pension contributions) was:

	1996 £000	1995 £000
Highest paid director	84	76
All directors:	Number	Number
NIL	1	1
£75,001 - £80,000	-	1
£80,001 - £85,000	1	-

Details of options over ordinary shares are shown in the Directors' Report on page 2.

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996 £000	1995 £000
Charge for the year:		
UK corporation tax @ 33%	61	73
Deferred tax (note 13)	6	(20)
	67	53
Corporation tax overprovided in previous years	(12)	(10)
	55	43

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)

8. TANGIBLE ASSETS

	Long leasehold property £000	Furniture equipment and vehicles £000	Total £000
Cost:			
1 January 1996	41	59	100
Additions	2	30	32
Disposals	-	-	-
31 December 1996	43	89	132
Depreciation:			
1 January 1996	19	33	52
Provision for year	3	5	8
Disposals	-	-	-
31 December 1996	22	38	60
Net book value 31 December 1996	21	51	72
Net book value 31 December 1995	22	26	48

9. DEBTORS

	1996 £000	1995 £000
Due within one year:		
Amounts owed by group undertakings	571	269
Other debtors	15	14
	586	283
Due after more than one year:		
Other debtors	-	204
	586	487

10. INVESTMENTS HELD AS CURRENT ASSETS

	1996 £000	1995 £000
Other current investments:		
Cost	91	91
Market value	60	81

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 1996 (continued)

11. CREDITORS : amounts falling due within one year

	1996 £000	1995 £000
Amounts owed to group undertakings	35	66
Corporate tax	60	86
Accruals	213	118
	308	270

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

	1996 £000	1995 £000
Amounts owed to group undertakings	460	460

13. DEFERRED TAX

	1996 £000	1995 £000
1 January	(85)	(65)
Transfer to profit and loss account	6	(20)
31 December	(79)	(85)
In respect of:		
Other timing differences	(79)	(85)

14. CALLED UP SHARE CAPITAL

	1996 £000	1995 £000
Authorised, allotted, issued and fully paid: 1,000 ordinary shares of £1 each	1	1

15. PROFIT AND LOSS ACCOUNT

	1996 £000	1995 £000
1 January	112	60
Retained earnings	(12)	52
31 December	100	112

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1996 (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. (1996 - £89,714, 1995 - £50,240).

17. COMMITMENTS	1996 £000	1995 £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	100	151

18. RELATED PARTY TRANSACTIONS

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