WILLIS CORROON GROUP SERVICES LIMITED
(Registered No. 1451456)

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1997

DIRECTORS

M P Chitty
T Colraine (appointed 1 July 1997)
D H Smith
M Wright (appointed 12 December 1997)

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 ACTIVITIES

The Company provides financial, leasing, property holding and administrative services principally for subsidiaries of Willis Corroon Group plc.

The directors do not anticipate any change in the Company's activities.

RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation amounted to £1,265,000.

The directors do not recommend the payment of a final dividend.

CREDITOR PAYMENT POLICY

For all 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.

At 31 December 1997, the Company had an average of 13 days purchases outstanding in trade creditors.

DIRECTORS

The present directors of the Company are named on page 1 which forms part of this report. The following directors also held office during the year:

C H Bishop - resigned 30 June 1997
R A Dalzell - resigned 31 August 1997
Mrs J Martin - resigned 12 December 1997
J M P Taylor - resigned 31 December 1997

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			
	1.1.97 (or date of appointment)	31.12.97	1.1.97 (or date of appointment)	Granted	Exercised	31.12.97
M P Chitty	55,243	82,114	135,223	-	-	135,223
D H Smith	8,867	9,001	104,234	-	-	103,055
M Wright	-	-	8,694	-	-	8,694

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.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997 (continued)

DIRECTORS (continued)

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.

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 17 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 reappoint auditors annually was approved by shareholders at the Annual General Meeting in April 1992.

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

11 February 1998
Ten Trinity Square
London EC3P 3AX

REPORT OF THE AUDITORS TO THE MEMBERS OF WILLIS CORROON GROUP SERVICES LIMITED

We have audited the accounts on pages 5 to 17 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and on the basis of the accounting policies set out on pages 8 and 9.

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 profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Chartered Accountants
Registered Auditor
London

11. 2 1998

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997

	Notes	1997 £000	1996 £000
Turnover		84,287	87,458
Interest and investment income	3	1,034	819
OPERATING REVENUE		85,321	88,277
Operating expenses		74,363	94,313
Other income		-	3,920
OPERATING PROFIT/(LOSS)	4	10,958	(2,116)
Profit/(Loss) on disposal of tangible fixed assets		496	(423)
Interest payable	5	6,583	6,993
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		4,871	(9,532)
Tax on profit/(loss) on ordinary activities	8	3,606	107
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		1,265	(9,639)
RETAINED PROFIT/(LOSS)	20	1,265	(9,639)

There are no recognised gains or losses other than the profit attributable to shareholders of the Company of £1,265,000 in the year ended 31 December 1997 and the loss attributable to shareholders of the Company of £9,639,000 in the year ended 31 December 1996.

BALANCE SHEET AT 31 DECEMBER 1997

	Notes	1997 £000	1996 £000
FIXED ASSETS			
Tangible assets	9	98,465	103,043
Investments	10	97	2,780
		98,562	105,823
CURRENT ASSETS			
Debtors	13	165,186	160,187
Deposits and cash		5,683	12,366
		170,869	172,553
CURRENT LIABILITIES			
CREDITORS : amounts falling due within one year	14	237,487	290,604
NET CURRENT LIABILITIES		(66,618)	(118,051)
TOTAL ASSETS LESS CURRENT LIABILITIES		31,944	(12,228)
CREDITORS : amounts falling due after more than one year	15	-	874
PROVISIONS FOR LIABILITIES AND CHARGES	17	20,391	24,610
		11,553	(37,712)
CAPITAL AND RESERVES			
Called up share capital	19	100,000	52,000
Profit and loss account	20	(88,447)	(89,712)
SHAREHOLDERS' FUNDS		11,553	(37,712)

Approved on behalf of the Board on 11 February 1998.

Director

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

	Note	1997 £000	1996 £000
Profit/(Loss) for the financial year		1,265	(9,639)
New ordinary shares issued	19	48,000	-
Net movement in shareholders' funds for the year		49,265	(9,639)
Shareholders' funds at 1 January		(37,712)	(28,073)
Shareholders' funds at 31 December		11,553	(37,712)

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 as modified by the revaluation of certain land and buildings and comply with accounting standards applicable in the United Kingdom.

(b) Turnover
Turnover, which arises solely in the UK, comprises income on leased assets and fees received in respect of management services and recharges of expenses to other group undertakings.

(c) Currency Translation
Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date.

(d) Depreciation
Depreciation is calculated on a straight line basis at rates estimated to write down the value of assets to their estimated residual value at the end of their expected useful lives. The rates generally used are:

Motor vehicles	25 per cent per annum
Furniture & equipment	between 14 & 25 per cent per annum
Freehold buildings & long leaseholds	2 per cent per annum
Short leasehold	Period of lease
Freehold land	No depreciation charged

(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. It is anticipated that the timing differences will be reversed in the foreseeable future.

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

2. ACCOUNTING POLICIES (continued)

(f) Leased assets
Assets held under leasing arrangements which transfer substantially all the risks and rewards of ownership to the Company are included in tangible assets as finance leases. The capital element of the related rental obligations is included in creditors. The interest element of the rental obligations is charged to the profit and loss account so as to produce a constant periodic rate of charge. Income from finance lease contracts, being the excess of total rentals received over the cost of the net investment in finance leasing contracts, is credited to the profit and loss account to give a constant periodic rate of return on the net cash investment. Assets under finance leases are stated in the balance sheet as debtors at the total of rentals receivable less profit allocated to future periods. Rentals payable and receivable in respect of all other leasing arrangements are treated as operating leases and charged/credited to the profit and loss account as incurred.

3. INTEREST AND INVESTMENT INCOME

	1997 £000	1996 £000
Interest receivable	677	458
Interest receivable from group undertakings	357	361
	1,034	819

4. OPERATING PROFIT/(LOSS)

	1997 £000	1996 £000
Operating profit/(loss) was arrived at after charging/(crediting):		
Auditors' remuneration		
Audit fees	37	35
Depreciation on		
Owned assets	11,993	12,256
Finance leased assets	541	650
	12,534	12,906
Operating lease rentals		
Land and buildings	4,920	4,735
Equipment	196	8
	5,116	4,743
Rental Income	(1,267)	(434)

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

5. INTEREST PAYABLE

	1997 £000	1996 £000
Bank loans, overdrafts & other loans repayable within five years	213	196
Finance charges payable under finance leases	64	152
Interest payable to group undertakings	6,306	6,645
	6,583	6,993

6. EMPLOYEES

	1997 £000	1996 £000
Employees costs net of amounts reimbursed by fellow subsidiary undertakings during the year consisted of :		
Salaries	14,527	27,162
Social security costs	1,159	1,346
Other pension costs	1,199	1,775
	16,885	30,283

	1997 Number	1996 Number
Number of employees - at 31 December	463	474
- average for the year	459	549

The staff working for the Company 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.

7. DIRECTORS' EMOLUMENTS

	1997 £000	1996 £000
Remuneration, excluding pension contributions	353	660
Benefits	28	77
	381	737

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

7. DIRECTORS' EMOLUMENTS (continued)

The remuneration of the highest paid director of the Company (excluding pension contributions) was £135,161 (1996: £204,619).

	1997 Number	1996 Number
Directors exercising share options	1	-
Directors receiving shares under long term incentive plans	4	2
Directors eligible for defined benefit pension schemes	8	6

8. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	1997 £000	1996 £000
Charge for the year:		
UK corporation tax @ 31.5% (1996: 33%)	1,173	1,508
Deferred taxation (note 18)	2,445	1,116
	3,618	2,624
Corporation tax over-provided in previous years	(12)	(2,517)
	3,606	107

The difference between the statutory rate of tax and the effective rate of tax is mainly attributable to disallowable expenses and depreciation charged on fixed assets ineligible for capital allowances.

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

9. TANGIBLE FIXED ASSETS

	Land and buildings	Furniture equipment and vehicles	Total
	£000	£000	£000
Cost or Valuation			
1 January 1997	78,371	86,821	165,192
Additions	2,717	8,345	11,062
Disposals	(10)	(8,992)	(9,002)
Reclassification of assets	(458)	458	-
31 December 1997	80,620	86,632	167,252
Depreciation:			
1 January 1997	5,758	56,391	62,149
Provision for year	3,304	9,230	12,534
Disposals	(2)	(5,894)	(5,896)
Reclassification of assets	(297)	297	-
31 December 1997	8,763	60,024	68,787
Net book value 31 December 1997	71,857	26,608	98,465
Net book value 31 December 1996	72,613	30,430	103,043

Net book value of Land & buildings:		1997	1996
		£000	£000
Freehold :	Land	17,019	17,019
	Buildings	48,890	49,743
Leasehold :	Long	13	14
	Short	5,935	5,837
		71,857	72,613

The net book value of assets held under finance leases included within Furniture, equipment and vehicles was £552,000 (1996: £1,257,000).

Certain freehold properties were revalued to £60,450,000 their open market value for existing use on 31 December 1995.

On the historical cost basis, these freehold properties would have been included as follows:

	£000
Cost:	
At 1 January 1997 and 31 December 1997	103,230
Cumulative Depreciation based on cost:	
At 1 January 1997	15,585
At 31 December 1997	16,733

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

10. INVESTMENTS HELD AS FIXED ASSETS

	1997 £000	1996 £000
Shares in subsidiary undertakings (note 11)	97	2,747
Other investments (note 12)	-	33
	97	2,780

11. SHARES IN SUBSIDIARY UNDERTAKINGS

	1997 £000	1996 £000
Cost		
1 January	2,917	3,017
Disposal	-	(100)
Inter-company transfer	(2,820)	-
31 December	97	2,917
Provisions		
1 January	(170)	-
Provisions for year	-	(170)
Inter-company transfer	170	-
31 December	-	(170)
Net Book Value		
31 December	97	2,747

During the year the following companies were transferred to Willis Faber UK Group Ltd at net book value:

Willis Faber (Printing Services) Limited
Stewart Wrightson Management Services Limited
Eastern Friars Nominees Limited

The principal subsidiary undertaking at 31 December 1997 was:

	Class of share	Percentage of share capital held
NON TRADING		
Willis Corroon Nominees Limited	Ordinary of £1 each	100%

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 a wholly-owned subsidiary of Willis Corroon Group plc, 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.

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

12. OTHER INVESTMENTS

	1997 £000	1996 £000
Cost:		
1 January	1,355	1,355
Inter-company transfer	(1,355)	-
31 December	-	1,355
Provision for diminution in value:		
1 January	1,322	1,322
Inter-company transfer	(1,322)	-
31 December	-	1,322
Net book value 31 December	-	33

During the year the investment in Willis Corroon France SA was transferred to Willis Corroon Group plc at net book value.

13. DEBTORS

	1997 £000	1996 £000
Due within one year		
Amounts owed by group undertakings	135,983	125,851
Corporate tax	-	409
Other debtors	7,631	11,941
Net Investment in finance leases	170	169
	143,784	138,370
Due after more than one year:		
Amounts owed by group undertakings	17,305	15,105
Deferred Taxation (see note 18)	4,097	6,542
Net Investment in finance leases	-	170
	165,186	160,187

Net investment in finance leases comprises:

	1997	1996
Total lease payments receivable	184	370
Less: Finance leases allocated to future periods	14	31
	170	339
Total rentals received during the year in respect of finance leases	187	-
Assets acquired during the year in respect of finance leases	-	-

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

14. CREDITORS : amounts falling due within one year

	1997 £000	1996 £000
Amounts owed to group undertakings	210,284	266,744
Corporate tax	709	-
Accruals and deferred income	1,876	2,392
Income tax and social security	7,544	3,808
Finance lease obligations (see note 16)	596	630
Other creditors	16,478	17,030
	237,487	290,604

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

	1997 £000	1996 £000
Finance lease obligations falling due between one and five years (see note 16)	-	874
	-	874

16. FINANCE LEASE OBLIGATIONS

	1997 £000	1996 £000
Payment falling due :		
within one year	600	726
between two and five years	-	935
	600	1,661
Less imputed interest	(4)	(157)
	596	1,504

Finance leases are analysed as follows:

	1997 £000	1996 £000
Current obligations (note 14)	596	630
Non current obligations (note 15)	-	874
	596	1,504

17. PROVISIONS FOR LIABILITIES AND CHARGES

	1997 £000	1996 £000
1 January	24,610	23,752
Profit and Loss account movements:		
Increase	2,707	4,163
Used in the year	(2,830)	(3,441)
Release	(4,096)	-
Inter-company transfer	-	136
31 December	20,391	24,610

Provisions relate to exceptional restructuring costs.

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

18. DEFERRED TAX

	1997 £000	1996 £000
1 January	6,542	7,595
Transfer to profit and loss account		
Change of tax rate 33% to 31%	(264)	-
Current year provision	(2,181)	(1,116)
Inter company transfer	-	63
31 December	4,097	6,542

Deferred tax has been provided in full in respect of liabilities arising from the following timing differences:

	1997 £000	1996 £000
Capital allowances	(4,322)	(4,984)
Other provisions	8,419	11,526
	4,097	6,542

The deferred tax asset in respect of other provisions will be recovered as expenditure charged against the provisions is relieved against future taxable profits.

19. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid: Ordinary shares of £1 each	1997 No'000	1996 No'000	1997 £'000	1996 £'000
1 January	52,000	52,000	52,000	52,000
Shares issued	48,000	-	48,000	-
31 December	100,000	52,000	100,000	52,000

On 26 February 1997 the Company's authorised share capital was increased from £52,000,000 to £100,000,000 by the creation of 48,000,000 new ordinary shares of £1 each ranking pari passu with the existing ordinary shares in the Company.

On the same date the Company's parent company, Willis Faber Limited, subscribed for and was allotted 48,000,000 new ordinary shares of £1 each which were credited as fully paid. By way of consideration for such new shares Willis Faber Limited agreed to waive its right to receive £48,000,000 of amounts owed to it by the Company.

20. PROFIT AND LOSS ACCOUNT

	1997 £000	1996 £000
1 January	(89,712)	(80,073)
Retained profit/(loss)	1,265	(9,639)
31 December	(88,447)	(89,712)

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

21. CONTINGENT LIABILITIES

The Company has given guarantees and indemnities to bankers and other third parties amounting to £7,032 (1996 - £5,779).

22. COMMITMENTS

Capital commitments

The Company had contracted for capital expenditure at 31 December 1997 of £2,115,900 (1996: £1,746,348).

Operating lease commitments	Land & buildings		Other	
	1997	1996	1997	1996
	£000	£000	£000	£000
Payments committed to be made within one year by the Company for leases expiring :				
in less than one year	22	10	-	-
between two and five years	50	-	173	206
after five years	4,256	4,493	-	-
	4,328	4,503	173	206
Payments committed to be made by the company after one year:				
between two and five year	17,187	17,972	157	409
after five years	12,071	17,867	-	-
	29,258	35,839	157	409

23. RELATED PARTY TRANSACTIONS

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