WILLIS CORROON GROUP SERVICES LIMITED

(Registered No. 1451456)

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1998

DIRECTORS

MP Chitty
T Colraine
M Wright

SECRETARY

TM Warren

REGISTERED OFFICE

Ten Trinity Square
London EC3P 3AX

AUDITORS

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

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COMPANIES HOUSE 30/10/99

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 ACTIVITIES

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

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

RESULTS AND DIVIDENDS

The loss on ordinary activities after taxation amounted to £6,783,000. 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.

Payment is made on these terms provided that the supplier meets its obligations. At 31 December 1998 the average number of days of payments outstanding was 10.

DIRECTORS

The present directors of the Company are named on page 1 which forms part of this report. DH Smith resigned as a director on 16 October 1998.

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 TA I 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
M Wright	70,000	200,000

Notes:

(1) No director had an interest in 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 Willis Group Limited, held until 6 November 1998 ordinary shares of Willis Group Limited. These shares were exchanged for cash as a consequence of the acquisition of Willis Group Limited by Trinity Acquisition plc.

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

YEAR 2000

The Willis 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 the Willis 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.

EURO

On 1 January 1999 the 'euro' replaced the currencies of eleven member states of the European Union, including countries in which the Group operates. The Group's operating systems had been adapted to accommodate business conducted in euros from its date of introduction.

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 5.

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 6 to 16 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.

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

AUDITORS

An Elective Resolution dispensing with the requirement to reappoint auditors annually was approved by shareholders at the Annual General Meeting in April 1992.

By Order of the Board

TM Warren
Secretary

29 October 1999

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 6 to 16 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 page 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 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Registered Auditor
London

29 October 1999

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

	Note	1998 £000	1997 £000
Turnover		80,341	84,287
Interest and investment income	3	720	1,034
OPERATING REVENUE		81,061	85,321
Operating expenses		72,611	74,363
OPERATING PROFIT	4	8,450	10,958
Profit on disposal of tangible fixed assets		32	496
Interest payable	5	7,741	6,583
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		741	4,871
Tax on profit on ordinary activities	8	7,524	3,606
(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(6,783)	1,265
(LOSS) / RETAINED EARNINGS	20	(6,783)	1,265

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 £6,783,000 in the year ended 31 December 1998 and the profit of £1,265,000 in the year ended 31 December 1997.

BALANCE SHEET AT 31 DECEMBER 1998

	Note	1998 £000	1997 £000
FIXED ASSETS			
Tangible assets	9	100,521	98,465
Investments	10	-	97
		100,521	98,562
CURRENT ASSETS			
Debtors	13	239,792	165,186
Deposits and cash		-	5,683
		239,792	170,869
CURRENT LIABILITIES			
CREDITORS : amounts falling due within one year	14	315,412	237,487
NET CURRENT LIABILITIES		(75,620)	(66,618)
TOTAL ASSETS LESS CURRENT LIABILITIES		24,901	31,944
CREDITORS : amounts falling due after more than one year	15	3,008	-
PROVISIONS FOR LIABILITIES AND CHARGES	17	17,123	20,391
		4,770	11,553
CAPITAL AND RESERVES			
Called up share capital	19	100,000	100,000
Profit and loss account	20	(95,230)	(88,447)
SHAREHOLDERS' FUNDS		4,770	11,553

Approved on behalf of the Board on 29 October 1999.

T Colraine
Director

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

	Note	1998 £000	1997 £000
Earnings for the financial year		(6,783)	1,265
New ordinary shares issues	19	-	48,000
Net movement in shareholders' funds for the year		(6,783)	49,265
Shareholders' funds at 1 January		11,553	(37,712)
Shareholders' funds at 31 December		4,770	11,553

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. 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 (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, 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.

(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 and 25 per cent per annum
Freehold buildings and 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.

(f) 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.

(g) 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.

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

3. INTEREST AND INVESTMENT INCOME

	1998 £000	1997 £000
Interest receivable	487	677
Interest receivable from group undertakings	233	357
	720	1,034

4. OPERATING PROFIT

	1998 £000	1997 £000
Operating profit was arrived at after charging/(crediting):		
Auditors remuneration :		
Audit fees	35	37
Depreciation on :		
Owned assets	12,253	11,993
Finance leased assets	509	541
	12,762	12,534
Operating lease rentals:		
Land and buildings	4,849	4,920
Equipment	196	196
	5,045	5,116
Rental income	(1,718)	(1,267)

5. INTEREST PAYABLE

	1998 £000	1997 £000
Bank loans, overdrafts and other loans repayable within five years	244	213
Finance charges payable under finance leases	-	64
Interest payable to group undertakings	7,497	6,306
	7,741	6,583

6. EMPLOYEES

	1998 £000	1997 £000
Employee costs net of amounts reimbursed by fellow subsidiary undertakings during the year consisted of :		
Salaries	19,823	14,527
Social security costs	1,275	1,159
Other pension costs	1,156	1,199
	22,254	16,885

	1998 Number	1997 Number
Number of employees		
- average for the year	481	459

The staff working for the Company 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)

7. DIRECTORS' EMOLUMENTS

	1998 £000	1997 £000
Remuneration, excluding pension contributions	440	353
Benefits	22	28
	462	381

The remuneration of the highest paid director of the Company (excluding pension contributions) was £191,658 (1997 : £135,161).

	1998 Number	1997 Number
Directors exercising share options	3*	1
Directors receiving shares under Long Term Incentive Plans	2*	4
Directors eligible for defined benefit pension schemes	4	8

* This figure includes the highest paid director.

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £000	1997 £000
Charge for the year:		
UK corporation tax @ 31% (1997: 31.5%)	419	1,173
Deferred taxation (note 18)	7,105	2,445
	7,524	3,618
Corporation tax over-provided in previous years	-	(12)
	7,524	3,606

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.

9. TANGIBLE ASSETS

	Land and buildings £000	Furniture equipment and vehicles £000	Total £000
Cost or valuation:			
1 January 1998	80,620	86,632	167,252
Additions	3,556	12,127	15,683
Disposals	(79)	(7,590)	(7,669)
Inter-company transfers	-	3,276	3,276
Re-classification of assets	659	(659)	-
31 December 1998	84,756	93,786	178,542
Depreciation :			
1 January 1998	8,763	60,024	68,787
Provision for year	3,927	9,130	13,057
Disposals	(33)	(6,044)	(6,077)
Inter-company transfers	-	2,254	2,254
Re-classification of assets	295	(295)	-
31 December 1998	12,952	65,069	78,021
Net book value 31 December 1998	71,804	28,717	100,521
Net book value 31 December 1997	71,857	26,608	98,465

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

9. TANGIBLE ASSETS (continued)

		1998	1997
		£000	£000
Net book value of land and buildings:			
Freehold	: land	17,018	17,019
	Buildings	48,713	48,890
Leasehold	: long	13	13
	Short	6,355	5,935
		72,099	71,857

The net book value of assets held under finance leases included within Furniture, equipment and vehicles was £42,000 (1997 : £552,000).

Certain freehold properties were re-valued 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:

	1998
	£000
Cost :	
At 1 January 1998 and 31 December 1998	103,230
Cumulative depreciation based on cost :	
At 1 January 1998	16,783
At 31 December 1998	17,881

10. INVESTMENTS HELD AS FIXED ASSETS

	1998	1997
	£000	£000
Shares in subsidiary undertakings (note 11)	-	97
Other investments (note 12)	-	-
	-	97

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

11. SHARES IN SUBSIDIARY UNDERTAKINGS

	1998 £000	1997 £000
Cost		
1 January	97	2,917
Inter-company transfer	-	(2,820)
31 December	97	97
Provisions		
1 January	-	(170)
Provisions for year	(97)	-
Inter-company transfer	-	170
31 December	(97)	-
Net book value 31 December	-	97

The principal subsidiary undertakings at 31 December 1998 were:

	Class Of share	Percentage of share capital held
Willis Corroon Nominees Limited	Ordinary of £1 each	100%
Stewart Wrightson Management Services 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 TA I Limited, 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 undertakings is not less than the amount shown in the Balance Sheet.

12. OTHER INVESTMENTS

	1998 £000	1997 £000
Cost:		
1 January	-	1,355
Inter-company transfers	-	(1,355)
31 December	-	-
Provision for diminution in value:		
1 January	-	1,322
Inter-company transfers	-	(1,322)
31 December	-	-
Net book value 31 December	-	-

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

13. DEBTORS

	1998	1997
	£000	£000
Due within one year :		
Amounts owed by group undertakings	211,429	135,983
Corporate tax	55	-
Other debtors	7,645	7,631
Net investment in finance leases	155	170
	219,284	143,784
Due after more than one year :		
Amounts owed by group undertakings	20,508	17,305
Deferred tax (see note 18)	-	4,097
	239,792	165,186
Net investment in finance leases comprises:		
Total lease payments receivable	57	184
Less: Finance leases allocated to future periods	-	14
	57	170
Total rentals received during the year in respect of finance leases	121	187

14. CREDITORS : amounts falling due within one year

	1998	1997
	£000	£000
Bank loans and overdrafts	595	-
Amounts owed to group undertakings	288,279	210,284
Corporate tax	-	709
Income tax and social security	4,367	7,544
Accruals and deferred income	2,343	1,876
Finance lease obligations (see note 16)	-	596
Other creditors	19,828	16,478
	315,412	237,487

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

	1998	1997
	£000	£000
Deferred tax (see note 18)	3,008	-

16. FINANCE LEASE OBLIGATIONS

	1998	1997
	£000	£000
Payment falling due:		
Within one year	-	600
Less imputed interest	-	(4)
	-	596
Finance leases are analysed as follows:		
Current obligations (note 14)	-	596

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

17. PROVISIONS FOR LIABILITIES AND CHARGES

	1998 £000	1997 £000
1 January	20,391	24,610
Profit and Loss account movements:		
Increase	-	2,707
Used in the year	(2,968)	(2,830)
Release	(300)	(4,096)
31 December	17,123	20,391

Provisions relate to exceptional restructuring costs.

18. DEFERRED TAX

	1998 £000	1997 £000
1 January	4,097	6,542
Transfer to profit and loss account:	(8,077)	
Change of tax rate 31% to 30% (1997 33% to 31%)	-	(264)
Current year provision	972	(2,181)
31 December	(3,008)	4,097

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

	1998	1997
Capital allowances	(3,008)	(4,322)
Other provisions	-	8,419
	(3,008)	4,097

The deferred tax asset in respect of other provisions will be recovered as expenditure charged against the provisions is relieved against future taxable profits. The deferred tax asset on 'Other Provisions' has been written off during 1998 as a result of which the deferred tax on those provisions is now unprovided.

19. CALLED UP SHARE CAPITAL

	1998	1997	1998	1997
Authorised, allotted, issued and fully paid: Ordinary shares of £1 each	No 000	No 000	£000	£000
1 January	100,000	52,000	100,000	52,000
Shares issued	-	48,000	-	48,000
31 December	100,000	100,000	100,000	100,000

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

	1998 £000	1997 £000
1 January	(88,447)	(89,712)
Retained (loss) / earnings	(6,783)	1,265
31 December	(95,230)	(88,447)

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

21. PENSIONS

The Company is a member of the Willis Pension Scheme, which is funded externally and is of the defined benefit type. Pension contributions are based on pension costs across the Group as a whole. The pension cost is assessed in accordance with the advice of professionally qualified actuaries using the projected unit credit method. The latest valuation was at 31 December 1995, details of which are given in the accounts of TA I Limited.

22. CONTINGENT LIABILITIES

The Company has given guarantees and indemnities to bankers and other third parties amounting to £7,032. (1997 : £7,032).

The Company has guaranteed on a joint and several basis the prompt and complete performance of a fellow subsidiary company in respect of credit facilities ('facilities') made available to that company. As at 31 December 1998 these facilities amounted to $1,175m.

23. CAPITAL COMMITMENTS

The Company had contracted for capital expenditure at 31 December 1998 of £3,192,500 (1997 : £2,115,900).

	Land & Building		Other	
	1998	1997	1998	1997
Operating lease commitments	£000	£000	£000	£000
Payments committed to be made within one year by the Company for leases expiring:				
in less than one year	2	22	169	-
between two and five years	2,747	50	-	173
after five years	1,558	4,256	-	-
	4,307	4,328	169	173
Payments committed to be made by the company after one year:				
between two and five years	15,768	17,187	-	157
after five years	9,208	12,071	-	-
	24,976	29,258	-	157

24. RELATED PARTY TRANSACTIONS

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