

WILLIS CORROON GROUP SERVICES LIMITED
(Registered No. 1451456)

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1996

DIRECTORS

C H Bishop
M P Chitty
R A Dalzell
Mrs J Martin
D H Smith

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 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 loss on ordinary activities after taxation amounted to £9,639,000.

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.

DIRECTORS

The present directors of the Company are named on page 1 which forms part of this report. R J White resigned as a director of the Company with effect from 31 December 1996.

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			
	<u>1.1.96</u>	<u>31.12.96</u>	<u>1.1.96</u>	<u>Granted</u>	<u>Exercised</u>	<u>31.12.96</u>
C H Bishop	5,536	8,656	75,683	-	-	71,467
M P Chitty	39,242	55,243	138,478	-	-	135,223
Mrs J Martin	8,450	8,943	104,847	-	-	100,946
D H Smith	8,789	8,867	108,895	-	-	104,234
R J White	774	852	60,730	2,158	-	59,415

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.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1996 (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 18 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).

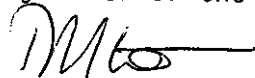
The directors are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

29 April 1997
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 18 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 accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

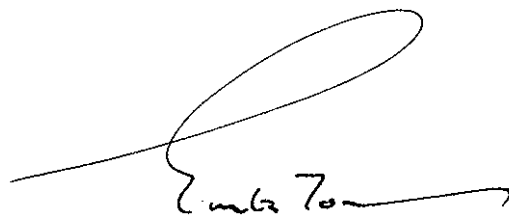
Basis of opinion

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

29.4.1997

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996

	Notes	1996 £000	1995 £000
Turnover		87,458	64,032
Interest and investment income	4	819	4,311
OPERATING REVENUE		88,277	68,343
Operating expenses (including exceptional items of £nil; 1995 - £55,029,000)	3	94,313	113,140
Other income		3,920	-
OPERATING LOSS		(2,116)	(44,797)
Loss on disposal of tangible fixed assets		423	1,470
Interest payable	6	6,993	7,804
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(9,532)	(54,071)
Tax on loss on ordinary activities	9	107	(2,196)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(9,639)	(51,875)
RETAINED LOSS		(9,639)	(51,875)

There are no recognised gains or losses other than the loss attributable to shareholders of the Company of £9,639,000 in the year ended 31 December 1996 and of £51,875,000 in the year ended 31 December 1995.

WILLIS CORROON GROUP SERVICES LIMITED

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BALANCE SHEET AT 31 DECEMBER 1996

	Notes	1996 £000	1995 £000	1996 Proforma (Unaudited) £000
FIXED ASSETS				
Tangible assets	10	103,043	106,535	103,043
Investments	11	2,780	3,050	2,780
		<u>105,823</u>	<u>109,585</u>	<u>105,823</u>
CURRENT ASSETS				
Debtors	14	160,187	290,658	160,187
Deposits and cash		12,366	3,448	12,366
		<u>172,553</u>	<u>294,106</u>	<u>172,553</u>
CURRENT LIABILITIES				
CREDITORS : amounts falling due within one year	15	290,604	383,508	242,604
NET CURRENT LIABILITIES		<u>(118,051)</u>	<u>(89,402)</u>	<u>(70,051)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(12,228)</u>	<u>20,183</u>	<u>35,772</u>
CREDITORS : amounts falling due after more than one year	16	874	24,504	874
PROVISIONS FOR LIABILITIES AND CHARGES	18	24,610	23,752	24,610
		<u>(37,712)</u>	<u>(28,073)</u>	<u>10,288</u>
CAPITAL AND RESERVES				
Called up share capital	20	52,000	52,000	100,000
Profit and loss account	21	(89,712)	(80,073)	(89,712)
SHAREHOLDERS' FUNDS		<u>(37,712)</u>	<u>(28,073)</u>	<u>10,288</u>

Approved on behalf of the Board on 29 April 1997.



R A Dalzell
Director

The unaudited proforma balance sheet at 31 December 1996 gives effect to the increase in the Company's share capital on 26 February 1997. See note 25 on page 18.

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

	1996 £000	1995 £000
Loss for the financial year	(9,639)	(51,875)
New ordinary shares issued	-	42,000
Net movement in shareholders' funds for the year	(9,639)	(9,875)
Shareholders' funds at 1 January	(28,073)	(18,198)
Shareholders' funds at 31 December	(37,712)	(28,073)

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 as modified by the revaluation of certain land and buildings and comply with accounting standards applicable in the United Kingdom. In its role as the provider of financial, leasing and administrative services, primarily for members of the Willis Corroon Group, the Company incurs the costs of and makes recoveries from other group undertakings. As the provider of these services, the Company has available financial support from its ultimate parent company, Willis Corroon Group plc, to enable the Company to meet its trading liabilities as they fall due, except to satisfy liabilities arising from negligence, breach of contract, breach of trust or any other breach of duty.

(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 1996 (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. EXCEPTIONAL ITEMS	1996	1995
	£000	£000

Exceptional items comprise the following:

Provisions for the net lease expense of properties no longer needed by the group	-	12,376
Permanent diminution in the value of freehold properties	-	28,343
Provision for bad debts	-	14,310
	<u>-</u>	<u>55,029</u>

4. INTEREST AND INVESTMENT INCOME	1996	1995
	£000	£000
Interest receivable	458	516
Interest receivable from group undertakings	361	3,795
	<u>819</u>	<u>4,311</u>

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

5. OPERATING LOSS	1996	1995
	£000	£000
Operating loss was arrived at after charging/(crediting):		
Auditors' remuneration		
Audit fees	35	39
Depreciation on		
Owned assets	12,256	11,626
Finance leased assets	650	650
	<u>12,906</u>	<u>12,276</u>
Operating lease rentals		
Land and buildings	4,735	5,121
Equipment	8	43
	<u>4,743</u>	<u>5,164</u>
Rental Income	<u>(434)</u>	<u>(37)</u>
6. INTEREST PAYABLE	1996	1995
	£000	£000
Bank loans, overdrafts & other loans repayable within five years	196	234
Finance charges payable under finance leases	152	239
Interest payable to group undertakings	6,645	7,331
	<u>6,993</u>	<u>7,804</u>
7. EMPLOYEES	1996	1995
	£000	£000
Employees costs net of amounts reimbursed by fellow subsidiary undertakings during the year consisted of :		
Salaries	27,162	15,636
Social security costs	1,346	1,137
Other pension costs	1,775	1,484
	<u>30,283</u>	<u>18,257</u>
	1996	1995
	Number	Number
Number of employees - at 31 December	474	524
- average for the year	549	522

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.

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

8. DIRECTORS' EMOLUMENTS	1996 £000	1995 £000
Remuneration, including pension contributions	660	494
Benefits	77	25
Employer's pension contributions	84	82
	<u>821</u>	<u>601</u>

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

	1996 £000	1995 £000
Chairman	Nil	Nil
Highest paid director	205	117
All Directors:	Number	Number
NIL	1	1
£ 90,001 - £ 95,000	-	1
£ 95,001 - £100,000	-	1
£105,001 - £110,000	-	2
£115,001 - £120,000	-	1
£120,001 - £125,000	1	-
£125,001 - £130,000	1	-
£130,001 - £135,000	1	-
£145,001 - £150,000	1	-
£200,001 - £205,000	1	-

Details of options over ordinary shares of Willis Corroon Group plc, the ultimate parent company are shown on page 2 of the Director's Report.

9. TAX ON LOSS ON ORDINARY ACTIVITIES	1996 £000	1995 £000
Charge/(credit) for the year:		
UK corporation tax @33%	1,508	217
Deferred taxation (note 19)	1,116	(1,867)
	<u>2,624</u>	<u>(1,650)</u>
Corporation tax over provided in previous years	(2,517)	(546)
	<u>107</u>	<u>(2,196)</u>

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 1996 (continued)

10. TANGIBLE FIXED ASSETS

	Land and buildings	Furniture equipment and vehicles	Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Cost or Valuation			
1 January 1996	77,918	82,506	160,424
Additions	1,012	10,970	11,982
Disposals	(526)	(7,221)	(7,747)
Inter-company transfers	(29)	562	533
Reclassification of assets	(4)	4	-
	<u>78,371</u>	<u>86,821</u>	<u>165,192</u>
31 December 1996			
Depreciation:			
1 January 1996	2,736	51,153	53,889
Provision for year	3,187	9,719	12,906
Disposals	(162)	(4,705)	(4,867)
Inter-company transfers	(3)	224	221
Reclassification of assets	-	-	-
	<u>5,758</u>	<u>56,391</u>	<u>62,149</u>
31 December 1996			
Net book value			
31 December 1996	<u>72,613</u>	<u>30,430</u>	<u>103,043</u>
Net book value			
31 December 1995	<u>75,182</u>	<u>31,353</u>	<u>106,535</u>
Net book value of Land & buildings:			
		1996	1995
		£000	£000
Freehold : Land		17,019	17,114
Buildings		49,743	51,486
Leasehold : Long		14	112
Short		5,837	6,470
		<u>72,613</u>	<u>75,182</u>

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

10. TANGIBLE FIXED ASSETS (continued)

The net book value of assets held under finance leases included within Furniture, equipment and vehicles was £1,257,000 (1995: £2,117,000).

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 1996 and 31 December 1996	103,230
	<u> </u>
Cumulative Depreciation based on cost:	
At 1 January 1996	14,437
	<u> </u>
At 31 December 1996	15,585
	<u> </u>

11. INVESTMENTS HELD AS FIXED ASSETS

	1996 £000	1995 £000
Shares in subsidiary undertakings (note 12)	2,747	3,017
Other investments (note 13)	33	33
	<u>2,780</u>	<u>3,050</u>

12. SHARES IN SUBSIDIARY UNDERTAKINGS

	1996 £000	1995 £000
Cost		
1 January	3,017	3,017
Disposal	(100)	-
	<u>2,917</u>	<u>3,017</u>
31 December	2,917	3,017
Provisions		
1 January	-	-
Provisions for year	(170)	-
	<u>(170)</u>	<u>-</u>
31 December	(170)	-
Net Book Value		
31 December	<u>2,747</u>	<u>3,017</u>

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

12. SHARES IN SUBSIDIARY UNDERTAKINGS (continued)

The principal subsidiary undertakings at 31 December 1996 were:

	Class of share	Percentage of share capital held
NON TRADING	-----	-----
Willis Faber (Printing Services) Limited	Ordinary of £1 each	100%
Stewart Wrightson Management Services Limited	Ordinary of £1 each	100%
Eastern Friars Nominees Limited	Ordinary of £1 each	100%
Willis Corroon Nominees Limited	Ordinary of £1 each	100%
Willis Faber Leasing Limited*	Ordinary of £1 each	100%

*Willis Faber Leasing Limited was placed into members' voluntary liquidation during the year.

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 subsidiary undertakings is not less than the amount shown in the Balance Sheet.

13. OTHER INVESTMENTS	1996	1995
	£000	£000
Cost:		
1 January and 31 December	1,355	1,355
Provision for diminution in value:		
1 January and 31 December	1,322	1,322
Net book value 31 December	----- 33	----- 33

The unlisted investment relates to:

	Country of Registration	Class of Share	Percentage of share capital held
	-----	-----	-----
Willis Corroon France SA	France	Ordinary of FF-100 each	6%

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

14. DEBTORS	1996	1995
	£000	£000
Due within one year		
Amounts owed by group undertakings	125,851	261,047
Corporate tax	409	338
Other debtors	11,941	8,835
Net Investment in finance leases	169	-
	<u>138,370</u>	<u>270,220</u>
Due after more than one year:		
Amounts owed by group undertakings	15,105	12,843
Deferred Taxation (see note 19)	6,542	7,595
Net Investment in finance leases	170	-
	<u>160,187</u>	<u>290,658</u>
Net investment in finance leases comprises:		
Total lease payments receivable	370	-
Less: Finance leases allocated to future periods	31	-
	<u>339</u>	<u>-</u>
Total rentals received during the year in respect of finance leases	-	-
Assets acquired during the year in respect of finance leases	-	-
15. CREDITORS : amounts falling due within one year	1996	1995
	£000	£000
Amounts owed to group undertakings	266,744	362,171
Accruals and deferred income	2,392	5,388
Income tax and social security	3,808	4,111
Finance lease obligations (see note 17)	630	613
Other creditors	17,030	11,225
	<u>290,604</u>	<u>383,508</u>
16. CREDITORS : amounts falling due after more than one year	1996	1995
	£000	£000
Amounts owed to group undertakings	-	23,000
Finance lease obligations falling due between one and five years (see note 17)	874	1,504
	<u>874</u>	<u>24,504</u>

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

17. FINANCE LEASE OBLIGATIONS	1996	1995
	£000	£000
Payment falling due :		
within one year	726	768
between two and five years	935	1,661
	<u>1,661</u>	<u>2,429</u>
Less imputed interest	(157)	(312)
	<u>1,504</u>	<u>2,117</u>
	<u><u>1,504</u></u>	<u><u>2,117</u></u>
Finance leases are analysed as follows:		
Current obligations (note 15)	630	613
Non current obligations (note 16)	874	1,504
	<u>1,504</u>	<u>2,117</u>
	<u><u>1,504</u></u>	<u><u>2,117</u></u>
18. PROVISIONS FOR LIABILITIES AND CHARGES	1996	1995
	£000	£000
Other provisions		
1 January	23,752	20,894
Profit and Loss account movements	4,163	12,376
Used in the year	(3,441)	(9,518)
Inter-company transfer	136	-
31 December	<u>24,610</u>	<u>23,752</u>
	<u><u>24,610</u></u>	<u><u>23,752</u></u>
Other provisions relate to exceptional restructuring costs.		
19. DEFERRED TAX	1996	1995
	£000	£000
1 January	7,595	5,656
Transfer to profit and loss account	(1,116)	1,867
Inter company transfer	63	72
31 December	<u>6,542</u>	<u>7,595</u>
	<u><u>6,542</u></u>	<u><u>7,595</u></u>
Deferred tax has been provided in full in respect of liabilities arising from the following timing differences:		
Capital allowances	(4,984)	(1,091)
Other provisions	11,526	8,686
	<u>6,542</u>	<u>7,595</u>
	<u><u>6,542</u></u>	<u><u>7,595</u></u>

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

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

20. CALLED UP SHARE CAPITAL	1996 £000	1995 £000
Authorised, allotted, issued and fully paid: 52,000,000 ordinary shares of £1 each	52,000	52,000
21. PROFIT AND LOSS ACCOUNT	1996 £000	1995 £000
1 January	(80,073)	(28,198)
Retained loss	(9,639)	(51,875)
31 December	(89,712)	(80,073)

22. CONTINGENT LIABILITIES

The Company has given guarantees and indemnities to bankers and other third parties amounting to £5,779 (1995 - £2,927).

23. COMMITMENTS

Capital commitments

The Company had contracted for capital expenditure at 31 December 1996 of £1,746,348 (1995: £1,306,032).

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

23. COMMITMENTS (continued)

Operating lease commitments

	Land & buildings		Other	
	1996 £000	1995 £000	1996 £000	1995 £000
Payments committed to be made within one year by the company for leases expiring :				
in less than one year	10	-	-	2
between two and five years	-	11	206	6
after five years	4,493	4,490	-	-
	<u>4,503</u>	<u>4,501</u>	<u>206</u>	<u>8</u>

Payments committed to be made by the company after one year:

between two and five years	17,972	17,969	409	14
after five years	17,867	22,356	-	-
	<u>35,839</u>	<u>40,325</u>	<u>409</u>	<u>14</u>

24. RELATED PARTY TRANSACTIONS

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

25. POST BALANCE SHEET EVENT

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.

The proforma unaudited balance sheet illustrates the position that would have existed at 31 December 1996 had these transactions taken place on that date.