WILLIS CORROON LICENSING LIMITED
(Registered No. 3285932)

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1998

DIRECTORS

MP Chitty
PR Stevens

SECRETARY

TM Warren

REGISTERED OFFICE

Ten Trinity Square
London EC3P 3AX

AUDITORS

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

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 ACTIVITY AND PERFORMANCE REVIEW

The principal activity of the Company is the collection of royalty payments from Group undertakings to whom the use of certain Group marks have been sub-licensed.

The results for 1997 included the royalty payments for 1996 and 1997 as this was the Company's first and extended accounting period. Consequently this year's results are lower, reflecting the shorter accounting period.

RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation amounted to £296,000.

An interim dividend of £177,671 was paid on 28 April 1998. The directors do not recommend the payment of a final dividend.

DIRECTORS

The present directors of the Company are named on page 1 which forms part of this report.

The interests of the directors who held office on 31 December 1998 in the Management Ordinary Shares of TA I Limited, the ultimate parent company, are reported in the accounts of a parent company.

YEAR 2000 COMPLIANCE

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.

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

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 businesss 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 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 9 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.

AUDITORS

A resolution regarding the appointment of auditors will be put to an Extraordinary General Meeting.

By Order of the Board

MP Chitty
Director

13th October 1999

Ten Trinity Square
London EC3P 3AX

REPORT OF THE AUDITORS TO THE MEMBERS OF WILLIS CORROON LICENSING LIMITED

We have audited the accounts on pages 5 to 9 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Registered Auditor
London

13.10 1999

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

	Note	1998 £000	1997 (13 months) £000
Turnover	3	8,679	17,210
OPERATING REVENUE		8,679	17,210
Operating expenses		8,250	16,358
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	429	852
Tax on profit on ordinary activities	6	133	275
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		296	577
Dividends	7	177	400
RETAINED EARNINGS	11	119	177

RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 1998

There are no recognised gains or losses other than the profit attributable to shareholders of the Company of £296,000 in the year ended 31 December 1998 and of £577,000 in the period ended 31 December 1997.

BALANCE SHEET AT 31 DECEMBER 1998

	Note	1998 £000	1997 £000
CURRENT ASSETS			
Debtors	8	3,039	2,220
CURRENT LIABILITIES			
CREDITORS : amounts falling due within one year	9	2,743	2,043
TOTAL ASSETS LESS CURRENT LIABILITIES		296	177
CAPITAL AND RESERVES			
Called up share capital	10	-	-
Profit and loss account	11	296	177
SHAREHOLDERS' FUNDS		296	177

Approved on behalf of the Board on 13th October 1999.

M Chatty

Director

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

	1998 £000	1997 (13 months) £000
Earnings for the financial year	296	577
Dividends	177	400
Net movement in shareholders' funds for the year	119	177
Shareholders' funds at 1 January (1997 : 29 November 1996)	177	-
Shareholders' funds at 31 December	296	177

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 2 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, with the smallest group being headed by Willis Group 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 and comply with accounting standards applicable in the United Kingdom.

(b) Turnover
Turnover comprises royalties from group undertakings receivable in the financial year.

(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.

3. TURNOVER

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

	1998 £000	1997 (13 months) £000
United Kingdom	3,873	8,060
North America	4,784	9,126
Rest of the World	22	24
	8,679	17,210

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998 £000	1997 (13 months) £000
Profit before tax was arrived at after charging :		
Auditors remuneration :		
Audit fees	1	2

5. DIRECTORS' EMOLUMENTS

The directors of the Company received no remuneration for services rendered to the Company during the year (1997 : £Nil).

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

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £000	1997 (13 months) £000
Charge for the year:		
UK corporation tax @ 31% (1997 : 31.76%)	133	275
Double taxation relief	(9)	(19)
	124	256
Overseas taxation	9	19
	133	275

7. DIVIDENDS

	1998 £000	1997 (13 months) £000
Interim	177	400

8. DEBTORS

	1998 £000	1997 £000
Due within one year:		
Amounts owed by group undertakings	3,039	2,220

9. CREDITORS : amounts falling due within one year

	1998 £000	1997 £000
Amounts owed to group undertakings	2,611	1,786
Corporate tax	131	256
Accruals and deferred income	1	1
	2,743	2,043

10. CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised:		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted, issued and fully paid:		
2 ordinary shares of £1 each	2	2

11. PROFIT AND LOSS ACCOUNT

	1998 £000	1997 (13 months) £000
1 January / 29 November 1996	177	-
Retained earnings	119	177
31 December	296	177