

**R W STURGE LIMITED**

**FINANCIAL STATEMENTS**

**30 SEPTEMBER 1993**

**COMPANY REGISTRATION NUMBER: 748587**



**DIRECTORS' REPORT**

The directors are pleased to submit their report and the audited financial statements for the year ended 30 September 1993.

**REVIEW OF BUSINESS**

The Company is a registered Lloyd's underwriting Members' Agency.

**RESULTS AND DIVIDENDS**

The loss for the year after taxation amounted to £9 (1992 - £nil). The directors do not recommend payment of a dividend (1992 - £nil), and there is thus £9 to be transferred from reserves (1992 - £nil).

**DIRECTORS**

The following have been directors from 1 October 1992 to the date of this report:

Lord W R Strathalmond (Chairman)

J K Armour (Appointed 1 January 1993)

T R Coleridge

J A R Harford (Appointed 1 January 1993,  
Resigned 31 July 1993)

A J Langdale (Appointed 1 January 1993)

K J Leonard

Sir R Lindsay (Appointed 1 January 1993)

R A Page (Appointed 1 January 1993)

G J Podd

H R Sims

J S Stephens

J H F Whiteley (Resigned 31 October 1993)

S M Wilcox

**DIRECTORS' REPORT - continued**

The interests of the directors in the share capital of the holding company as at 30 September 1993, were as follows:

	At 30 September 1993		At 30 September 1992 or on appointment	
	Ordinary 20p shares		Ordinary 20p shares	
	Holding	Options	Holding	Options
Lord W R Strathalmond	-	20,000	-	20,000
J K Armour	1,927	-	-	-
T R Coleridge	702,887	-	701,984	-
A J Langdale	8,939	-	8,939	-
K J Leonard	28,802	12,500	64,190	12,500
Sir R Lindsay	3,000	15,000	3,000	15,000
R A Page	5,126	31,875	3,652	31,875
G J Podd	26,512	15,000	32,314	15,000
H R Sims	1,744	15,000	877	15,000
J S Stephens	4,569	25,000	3,509	25,000
J H F Whiteley	3,234	15,000	2,411	15,000
S M Wilcox	20,709	-	19,609	-

J S Stephens is a trustee over 1,248 ordinary 20p shares of Sturge Holdings PLC (1992 - 1,248).

The options were granted by Sturge Holdings PLC under several schemes whereby options are exercisable at varying dates to 29 June 2003 at prices ranging from 62p to 351p.

There have been no changes in these interests between 1 October 1993 and the date of this report.

The premium on a directors' and officers' liability insurance policy was paid in full by Sturge Holdings PLC.

**MANAGEMENT**

Sturge Holdings PLC provides the company with management services. In return for these management services, the company is charged a management fee equal to underwriting agency fees receivable. Sturge Holdings PLC has agreed to waive the right to a management fee in respect of any profit commission arising from the 1990 or 1991 underwriting years of account.

**TAXATION STATUS OF THE COMPANY**

The company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

**DIRECTORS' REPORT - continued**

**AUDITORS**

Price Waterhouse have expressed their willingness to continue as auditors.

By Order of the Board

A handwritten signature in dark ink, appearing to read 'N D Lewis', with a horizontal line underneath the name.

N D Lewis  
Secretary

9 Devonshire Square  
London  
EC2M 4YL

6 December 1993

**DIRECTORS' RESPONSIBILITIES**

The directors are required by UK law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial year, and of the profit of the company for that year. The financial statements should be prepared on a going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the financial statements, suitable accounting policies have been selected and applied consistently, supported where necessary by reasonable and prudent judgements and estimates. Applicable accounting standards have been followed.

The directors are also responsible for keeping adequate accounting records and for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud or any other irregularities.

**REPORT OF THE AUDITORS**

to the members of R W Sturge Limited

We have audited the financial statements on pages 5 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

**Respective responsibilities of directors and auditors**

As described above the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 September 1993 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse  
London  
Chartered Accountants  
and Registered Auditors  
6 December 1993

*Price Waterhouse*

**PROFIT AND LOSS ACCOUNT**  
for the year ended 30 September 1993

	Note	1993 £	1992 £
<b>TURNOVER</b>	2	3,383,519	6,741,050
Operating expenses	4	3,383,523	6,741,050
		<hr/>	<hr/>
<b>OPERATING LOSS</b>		(4)	-
Interest and other income receivable		-	-
		<hr/>	<hr/>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(4)	-
Taxation on profit on ordinary activities	5	5	-
		<hr/>	<hr/>
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		(9)	-
Dividends		-	-
		<hr/>	<hr/>
<b>RETAINED LOSS FOR THE YEAR</b>		(9)	-
Retained profit at beginning of the year		3	3
		<hr/>	<hr/>
<b>RETAINED (LOSS)/PROFIT AT END OF THE YEAR</b>		(6)	3
		<hr/>	<hr/>

The profit and loss account reflects all gains and losses since the previous balance sheet date.

## BALANCE SHEET

30 September 1993

	Note	1993 £	1992 £
<b>CURRENT ASSETS</b>			
Debtors - amounts falling due within one year	6	249,994	200,003
		<hr/>	<hr/>
<b>NET ASSETS</b>		249,994	200,003
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	7	250,000	200,000
Profit and loss account		(6)	3
		<hr/>	<hr/>
		249,994	200,003
		<hr/>	<hr/>

Approved by the board of directors and signed on its behalf on  
6 December 1993 by:



Lord Strathairn  
Chairman

## NOTES TO THE FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES

## (a) Accounting convention

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards.

## (b) Turnover

Turnover consists of underwriting agency fees and profit commission from Lloyd's syndicates.

## (c) Lloyd's underwriting agency fees

These represent net fee income receivable from Names at Lloyd's.

## (d) Lloyd's underwriting profit commission

Profit commission is receivable after a syndicate's underwriting year is closed at the end of three calendar years and is accounted for when received.

## (e) Deferred taxation

Deferred taxation is accounted for on the liability method on timing differences to the extent that a liability or an asset is expected to crystallise within the foreseeable future.

## 2. SEGMENTAL INFORMATION

Turnover and operating profit arise principally in the United Kingdom, from business underwritten at Lloyd's on behalf of Names resident in the United Kingdom and overseas.

## Turnover

	1993 £	1992 £
Lloyd's underwriting agency fees	3,383,519	3,272,359
Lloyd's underwriting profit commission	-	3,468,691
	<hr/>	<hr/>
	3,383,519	6,741,050
	=====	=====



## NOTES TO THE FINANCIAL STATEMENTS - continued

## 3. DIRECTORS AND EMPLOYEES

## (a) Staff costs (including directors)

The company has no employees (1992 nil).

## (b) Directors' emoluments

	1993 £	1992 £
Management remuneration, including pension contributions	886,172 =====	582,410 =====

The emoluments of the directors were paid by Sturge Holdings PLC and not charged in the accounts of this company.

The numbers of directors of this company, whose emoluments, excluding pension contributions, fall within the following ranges, were:

	1993	1992
£0 to £5,000	-	1
£15,001 to £20,000	-	1
£25,001 to £30,000	1	-
£30,001 to £35,000	1	-
£35,001 to £40,000	-	1
£40,001 to £45,000	2	2
£45,001 to £50,000	2	1
£50,001 to £55,000	3	2
£55,001 to £60,000	-	1
£60,001 to £65,000	1	-
£65,001 to £70,000	1	-
£70,001 to £75,000	-	1
£75,001 to £80,000	1	-
£80,001 to £85,000	-	1
£90,001 to £95,000	1	-

The emoluments, excluding pension contributions, of the Chairman were £91,248 (1992 - £80,669) and of the highest paid director were Chairman (1992 - Chairman).

## 4. OPERATING EXPENSES

Auditors' remuneration is borne by the holding company.

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1993 £	1992 £
UK Corporation tax at 33% (1992 - 33%):		
Prior years	5	-
	<u>5</u>	<u>-</u>
	=====	=====

## 6. DEBTORS - amounts falling due within one year

	1993 £	1992 £
Amounts due from group undertakings	249,994	197,349
ACT recoverable	-	2,654
	<u>249,994</u>	<u>200,003</u>
	=====	=====

## 7. CALLED-UP SHARE CAPITAL

	1993 £	1992 £
Authorised, allotted, issued and fully paid:		
60 'A' ordinary £1 shares	60	60
30 'B' ordinary £1 shares	30	30
249,900 ordinary £1 shares (1992-199,900)	249,900	199,900
1,000 special ordinary 1p shares	10	10
	<u>250,000</u>	<u>200,000</u>
	=====	=====

On 28 June 1993, the authorised share capital was increased by £50,000, and on the same day 50,000 £1 ordinary shares were allotted, issued at par and fully paid, to meet new Lloyd's requirements.

## 8. MOVEMENTS IN SHAREHOLDERS' FUNDS

	1993 £	1992 £
Loss on ordinary activities after taxation	(9)	-
New share capital subscribed	50,000	31,422
Opening shareholders' funds	<u>200,003</u>	<u>168,581</u>
	=====	=====
Closing shareholders' funds	<u>249,994</u>	<u>200,003</u>
	=====	=====

**NOTES TO THE FINANCIAL STATEMENTS - continued****9. CONTINGENT LIABILITIES**

The company has been served with writs by certain Names who underwrote on the following syndicates:

Outhwaite syndicate 317/661 (1982 account)  
Merrett syndicates 418 (1985 account) and/or 421 (1983 account)  
Lambert Brothers syndicate 604 (1984 account)  
Brooks & Dooley syndicate 89 (1979 account)  
Wellington syndicates 406 and 448 (1979 - 1988 accounts)  
Mackinnon syndicates 134 and 184 (1982 & 1983 accounts)

During 1993, Lloyd's announced the creation of a Legal Disputes Initiative which is expected to result in an offer being made to the Names on specific syndicates to resolve the legal actions being raised by Names. If the offer becomes unconditional, it is expected that accepting Names will forego any rights against participants to the offer in respect of those syndicates which are covered by the offer. The company has agreed to participate in the offer and full provision has been made in the accounts of the holding company for the maximum amount of the contribution. In the event that any Names do not accept the offer, they may still seek redress through the courts, in which case it would be the intention of the company and, we understand, of other agencies, to contest any such actions. Contributions to the Initiative may be reduced according to the outcome of the offer.

In August 1993, an action group was formed by certain Names who participated on some of the syndicates managed by the company. Although the action group made submissions in accordance with the Lloyd's Disputes Initiative, Lloyd's will not be including these syndicates in their offer. The company will continue to refute the allegations made by the action group.

**10. HOLDING COMPANY**

The ultimate holding company is Sturge Holdings PLC, a company registered in England and Wales. Copies of that company's financial statements may be obtained from 9 Devonshire Square, London, EC2M 4YL.