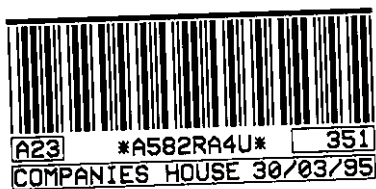


R W STURGE LIMITED

FINANCIAL STATEMENTS

30 SEPTEMBER 1994

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 1994.

REVIEW OF BUSINESS

The Company is a registered Lloyd's underwriting Members' Agency. The Company's results and position at the year end are set out in the profit and loss account on page 5 and balance sheet on page 6 of these accounts respectively. Note 1 to these accounts describes the litigation threatened or pending against the Company and note 10 sets out details of the sale of the Company's ongoing business and related consideration.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £4,397,244 (1993 - £9). The directors do not recommend payment of a dividend (1993 - £nil), and there is thus £4,397,244 to be transferred from reserves (1993 - £9).

DIRECTORS

The following have been directors from 1 October 1993 to the date of this report:

J K Armour	
A J Brown	(Appointed 2 November 1994)
D A Cant (Chairman from	(Appointed 26 October 1994)
26 October 1994)	
T R Coleridge	(Resigned 26 October 1994)
A M Davies (Chairman from 4 March	(Appointed 4 March 1994, resigned 26 October 1994)
to 26 October 1994)	
A J Langdale	(Resigned 26 October 1994)
K J Leonard	(Resigned 26 October 1994)
Sir R Lindsay	(Resigned 6 December 1993)
* J W S Macdonald	(Appointed 2 November 1994)
R A Page	(Resigned 26 October 1994)
G J Podd	
H R Sims	(Resigned 31 August 1994)
J S Stephens	(Resigned 29 July 1994)
Lord W R Strathalmond (Chairman to	(Resigned 4 March 1994)
4 March 1994)	
N P Wentworth-Stanley	(Appointed 4 March 1994, resigned 26 October 1994)
J H F Whiteley	(Resigned 31 October 1993)
S M Wilcox	(Resigned 26 October 1994)

* Director of the holding company, Sturge Holdings PLC.

DIRECTORS' REPORT - continued**DIRECTORS - continued**

The interests of the directors at 30 September 1994 in the share capital of the holding company, with the exception of the director who was also a director of the holding company, whose interests are shown in the accounts of that company, were as follows:

	At 30 September 1994		At 30 September 1993	
	Ordinary 20p shares		or on appointment	
	Holding	Options	Ordinary 20p shares	Options
	Holding	Options	Holding	Options
A M Davies	21,481	-	21,481	-
J K Armour	1,927	-	1,927	-
T R Coleridge	702,887	-	702,887	-
A J Langdale	-	-	8,939	-
K J Leonard	10,730	12,500	28,802	12,500
R A Page	5,126	31,875	5,126	31,875
G J Podd	26,512	15,000	26,512	15,000
N P Wentworth-Stanley	2,568	25,000	1,094	25,000
S M Wilcox	19,777	-	20,709	-

The options were granted by Sturge Holdings PLC under several schemes whereby options are exercisable at varying dates to June 2004 at prices ranging from 55p to 351.47p.

There have been no changes in these interests between 1 October 1994 and the date of this report.

The premium on a directors' and officers' liability insurance policy was paid 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 agreed to waive the right to a management fee in respect of the profit commission arising from the 1990 and 1991 underwriting years of account.

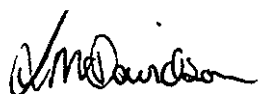
TAXATION STATUS OF THE COMPANY

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

AUDITORS

Price Waterhouse have expressed their willingness to continue as auditors.

By Order of the Board



L M Davidson
Secretary

9 Devonshire Square
London
EC2M 4YL

5 December 1994

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare financial statements 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.

The directors consider that in preparing the financial statements on pages 5 to 11, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that 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 financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonable open to them to safeguard the assets of the Company and to prevent and to detect fraud and other irregularities.

REPORT OF THE AUDITORS

to the members of R W Sturge Limited

We have audited the financial statements on pages 5 to 11 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 on page 3 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.

Litigation

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 concerning the material contingent liabilities arising from claims and potential claims from Lloyd's Names whose affairs were administered and managed by the Company. These contingent liabilities, which cannot be accurately quantified, may exceed the available errors and omissions insurance and provisions established in the company financial statements. Our opinion is not qualified in this respect.

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 1994 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
Price Waterhouse

London
Chartered Accountants
and Registered Auditors
5 December 1994

PROFIT AND LOSS ACCOUNT
for the year ended 30 September 1994

	Note	1994 £	1993 £
TURNOVER	2	3,306,511	3,383,519
Operating expenses	4	8,097,021	3,383,523
		<hr/>	<hr/>
OPERATING LOSS		(4,790,510)	(4)
Interest and other income receivable		-	-
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(4,790,510)	(4)
Taxation on loss on ordinary activities	5	(393,266)	5
		<hr/>	<hr/>
RETAINED LOSS FOR THE YEAR		(4,397,244)	(9)
Retained (loss)/profit at beginning of the year		(6)	3
		<hr/>	<hr/>
RETAINED LOSS AT END OF THE YEAR		(4,397,250)	(6)
		<hr/>	<hr/>

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

BALANCE SHEET
 30 September 1994

	Note	1994 £	1993 £
CURRENT ASSETS			
Debtors - amounts falling due within one year	6	256,449	249,994
Creditors - amounts falling due within one year	8	(116,826)	-
		<hr/>	<hr/>
Net current assets		139,623	249,994
Debtors - amounts falling due after more than one year	7	393,266	-
		<hr/>	<hr/>
		532,889	249,994
Provisions for liabilities and charges	9	(4,680,139)	-
		<hr/>	<hr/>
NET (LIABILITIES)/ASSETS		(4,147,250) =====	249,994 =====
CAPITAL AND RESERVES			
Called-up share capital	11	250,000	250,000
Profit and loss account		(4,397,250)	(6)
		<hr/>	<hr/>
		(4,147,250) =====	249,994 =====

Approved by the board of directors and signed on its behalf on 5 December 1994 by:



D A Cant
Chairman

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.

NOTES TO THE FINANCIAL STATEMENTS

1. LITIGATION

Throughout the Lloyd's market, litigation has either been commenced or threatened by Names who have suffered losses.

The company has been served with writs by certain Names who underwrote on the following syndicate years of account:

Evenett syndicate 1035 (1988 to 1991 accounts)
Janson Green syndicates 231/1031/1041 and 1145 (1980 to 1991 accounts)
Lambert Brothers syndicate 604 (1981 to 1984 accounts)
Mackinnon syndicates 134 and 184 (1982 to 1985 and 1988 accounts)
Macmillan syndicates 80 (1988 account) and 843 (1986 and 1988 accounts)
Merrett syndicates 418 (1980 to 1985 accounts) and 421 (1980 to 1983 accounts)
Outhwaite syndicate 317/661 (1982 account)
Secretan syndicate 367 (1985 to 1991 accounts)
Wellington syndicate 448 (1986 to 1991 accounts)

The company is contesting these writs.

The action in respect of the Outhwaite syndicate 317/661 (1982 account) has been adjudged to be time barred. The plaintiffs are appealing against the judgement.

An action group formed by certain Names in 1993 has also indicated an intention to issue writs against the company, but to date no such writs have been issued and the company continues to refute the allegations.

During 1993, Lloyd's announced an initiative which resulted in an offer being made to Names on specific syndicates to resolve the legal actions. Although the Names subsequently rejected that offer, it is now being suggested that a second initiative may be made with a view to resolving the legal actions.

The outcome of the whole litigation process is surrounded by uncertainty. In those cases where there has been a judgement, there may be appeals; in those cases which have not come to trial, the plaintiffs' cases have not been fully developed. Furthermore it is not possible to anticipate the consequences of any settlement initiatives. Notwithstanding these uncertainties, the company has made provisions in these financial statements for the resolution of disputes. These provisions take into account the available errors and omissions cover.

The company has not been protected by errors and omissions insurance since 1991 because such insurance, even where it is available, could not be procured at a reasonable price.

It is possible that in certain circumstances it may be necessary that the company will have to be put into liquidation.

The numerous claims made or intimated against the company and against many other managing agencies and members' agencies in the Lloyd's market are likely to be for very substantial sums but cannot be quantified.

While the Directors have made provisions representing their assessment of the likely cost to the company of resolving these disputes, it must be recognised that this is a fundamentally uncertain situation.

NOTES TO THE FINANCIAL STATEMENTS - continued

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

	1994 £	1993 £
Lloyd's underwriting agency fees	3,300,056	3,383,519
Lloyd's underwriting profit commission	6,455	-
	<hr/>	<hr/>
	3,306,511	3,383,519
	=====	=====

3. DIRECTORS AND EMPLOYEES

(a) Staff costs (including directors)

The company has no employees (1993 nil).

(b) Directors' emoluments

	1994 £	1993 £
Management remuneration, including pension contributions	888,823	886,172
	=====	=====

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:

	1994	1993
£0 to £5,000	1	-
£5,001 to £10,000	2	-
£25,001 to £30,000	1	1
£30,001 to £35,000	-	1
£40,001 to £45,000	-	2
£45,001 to £50,000	2	2
£50,001 to £55,000	-	3
£55,001 to £60,000	1	-
£60,001 to £65,000	1	1
£65,001 to £70,000	2	1
£75,001 to £80,000	1	1
£80,001 to £85,000	1	-
£90,001 to £95,000	-	1
£95,001 to £100,000	1	-
£140,001 to £145,000	1	-

The emoluments, excluding pension contributions, of the Chairman were £153,242 (1993 - £91,248) and of the highest paid director were £143,867 (1993 - Chairman).

NOTES TO THE FINANCIAL STATEMENTS - continued

4. OPERATING EXPENSES

Auditors' remuneration is borne by the holding company.

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1994 £	1993 £
UK Corporation tax:		
Prior years	-	5
Deferred tax:		
Current year	(393,266)	-
	<u>(393,266)</u>	<u>5</u>
	=====	=====

UK Corporation tax has been provided at 33% (1993 - 33%).

6. DEBTORS - amounts falling due within one year

	1994 £	1993 £
Amounts due from parent undertakings	256,449	249,994
	<u>256,449</u>	<u>249,994</u>
	=====	=====

7. DEBTORS - amounts falling due after more than one year

	1994 £	1993 £
Deferred taxation	393,266	-
	<u>393,266</u>	<u>-</u>
	=====	=====

8. CREDITORS - amounts falling due within one year

	1994 £	1993 £
Accruals	116,826	-
	<u>116,826</u>	<u>-</u>
	=====	=====

9. PROVISIONS FOR LIABILITIES AND CHARGES

	Resolution of Disputes £	Run-off Costs £	Total £
At 1 October 1993	-	-	-
Provided in the year	2,000,000	2,680,139	4,680,139
	<u>2,000,000</u>	<u>2,680,139</u>	<u>4,680,139</u>
	=====	=====	=====
At 30 September 1994	2,000,000	2,680,139	4,680,139
	<u>2,000,000</u>	<u>2,680,139</u>	<u>4,680,139</u>
	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS - continued

10. DISCONTINUED OPERATIONS

On 26 October 1994, the shareholders of the ultimate holding company approved the sale of the ongoing business of the company to Falcon Agencies Limited ("Falcon") for an initial consideration of £62,817 in cash. In addition the company will be entitled to a share of 400,000 6.8% Cumulative Redeemable Preference shares of £1 each.

The company's share will be determined by the ratio of the capacity of R W Sturge Names who novate to Falcon for the 1995 underwriting year of account compared to the total of the capacity of all Names who novate to Falcon from R W Sturge Limited and Donner Underwriting Agencies Limited for the 1995 underwriting year of account.

The company will also be entitled to receive deferred cash consideration depending on the future results of Falcon Agencies Limited, the total amount of which is limited to £5 million, of which the company's share will be determined by the ratio of the capacity of R W Sturge Names who novate to Falcon for the 1995 underwriting year of account compared to the total of the capacity of all Names who novate to Falcon from R W Sturge Limited and Donner Underwriting Agencies Limited for the 1995 underwriting year of account.

The company will remain responsible for the affairs of those R W Sturge Limited Names who at 31 December 1994 have ceased underwriting, and provision has been made in the profit and loss account for the expected future losses arising from this responsibility.

Any profit commission arising from the 1992, 1993 or 1994 underwriting accounts will be retained by the company, and will be accounted for when received.

11. CALLED-UP SHARE CAPITAL

	1994 £	1993 £
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	249,900	249,900
1,000 special ordinary 1p shares	10	10
	<hr/>	<hr/>
	250,000	250,000
	=====	=====

12. MOVEMENTS IN SHAREHOLDERS' FUNDS

	1994 £	1993 £
Loss on ordinary activities after taxation	(4,397,244)	(9)
New share capital subscribed	-	50,000
Opening shareholders' funds	249,994	200,003
	<hr/>	<hr/>
Closing shareholders' funds	(4,147,250)	249,994
	=====	=====

13. 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.

Supplementary profit and loss account information

Operating expenses

	1994 £	1993 £
Management fee	3,300,056	3,383,519
Provision for resolution of disputes	2,000,000	-
Provision for future run-off costs	2,680,139	-
Redundancy costs	116,826	-
Purchase of business of Oxford Members' Agency Limited	-	4
	<hr/>	<hr/>
	8,097,021	3,383,523
	=====	=====