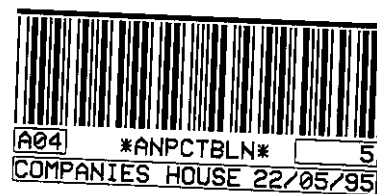

AEGON FINANCIAL SERVICES LIMITED
(Company Registration Number 1838226)

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1994



AEGON FINANCIAL SERVICES LIMITED

CONTENTS

	Page
Directors and Advisers	1
Report of the Directors	2 - 3
Report of the Auditors	4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Financial Statements	7 - 12

AEGON FINANCIAL SERVICES LIMITED

DIRECTORS AND ADVISERS

Directors

G J Lokuciejewski
W W Stewart

Company Secretary

J W Sampson

Registered Auditors

Coopers & Lybrand

Bankers

Barclays Bank PLC

Registered Office

AEGON House
Lanark Square
Crossharbour
London E14 9XS
Tel: 0171-538-8800

AEGON FINANCIAL SERVICES LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 December 1994.

Principal activities, Review of Business and Future Developments

The principal activity of the company is the provision of sales and marketing services. The results are set out in the profit and loss account on page 5.

Following a reorganisation of the AEGON Financial Services Group, a decision was made to close the group's life assurance company to further new business. Accordingly, this company will in future only receive commission in respect of existing regular premium business and its activities will, therefore, be reduced significantly.

The directors do not recommend payment of a dividend.

Directors

The following held office as director during the year:

G R H Kitson (Chairman)	(resigned 18 February 1994)
P G Baines	(resigned 13 May 1994)
J A Foster	(resigned 1 June 1994)
A Gregory	(resigned 1 June 1994)
J Hanratty	(resigned 30 June 1994)
G J Lokuciejewski	
R S M Coombes	(resigned 1 April 1994)
D R N Scaife	(appointed 1 January; resigned 2 September 1994)
S J Bridges	(appointed 28 February; resigned 31 December 1994)
W W Stewart	(appointed 20 January 1995)

Directors' Interests

The directors had no beneficial interest in material contracts to which the Company was a party during the financial year. No director has any beneficial interest in the share capital of the Company or any other group company that would require disclosure in these financial statements.

AEGON FINANCIAL SERVICES LIMITED

REPORT OF THE DIRECTORS

Directors' Responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1994. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

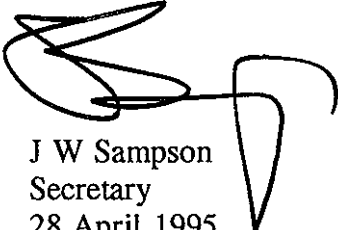
Insurance of Directors

AEGON nv maintains insurance for the directors and officers of AEGON Financial Services Group (UK) PLC and its subsidiaries in respect of their duties as directors.

Auditors

Further to restructuring within the AEGON Group Coopers & Lybrand will not continue in office and a Resolution proposing the appointment of KPMG will be submitted at the next Annual General Meeting.

By Order of the Board



J W Sampson
Secretary
28 April 1995

AEGON FINANCIAL SERVICES LIMITED

REPORT OF THE AUDITORS

To the Members of AEGON Financial Services Limited

We have audited the financial statements on pages 5 to 12.

Respective Responsibilities of Directors and Auditors

As described on page 3, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

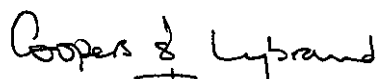
Basis of Opinion

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 at 31 December 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
London

28 April 1995

AEGON FINANCIAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1994

	Notes	1994 £	1993 £
Turnover	2	4,441,272	6,131,645
Administrative expenses	3	<u>8,458,514</u>	<u>12,892,927</u>
Operating loss		(4,017,242)	(6,761,282)
Reorganisation costs		<u>(1,551,078)</u>	—
Loss on ordinary activities before taxation	4	(5,568,320)	(6,761,282)
Taxation	5	—	<u>176,266</u>
Loss for the financial year after taxation	10	<u>(5,568,320)</u>	<u>(6,585,016)</u>

There were no recognised gains or losses in the year, or the prior year, other than those included above. Therefore, no statement of the total recognised gains and losses has been presented. All operations are considered to be of a continuing nature.

The notes on pages 7 to 12 form an integral part of the accounts.

AEGON FINANCIAL SERVICES LIMITED

BALANCE SHEET

as at 31 December 1994

	Notes	1994 £	1993 £
CURRENT ASSETS			
Debtors	6	217,520	805,410
Unearned commission advanced		1,174,093	2,536,337
Cash at bank and in hand		<u>-</u>	<u>2</u>
		1,391,613	3,341,749
CREDITORS:			
amounts falling due within one year	7	<u>(6,960,184)</u>	<u>(18,598,164)</u>
NET CURRENT LIABILITIES		<u>(5,568,571)</u>	<u>(15,256,415)</u>
CAPITAL AND RESERVES			
Called up share capital	8	15,256,166	2
Profit and loss account	9	<u>(20,824,737)</u>	<u>(15,256,417)</u>
Shareholders' funds	10	<u>(5,568,571)</u>	<u>(15,256,415)</u>

The notes on pages 7 to 12 form an integral part of the accounts.

The financial statements on pages 5 to 12 were approved by the Board of Directors on 28 April 1995 and were signed on its behalf by:



G LOKUCIEJEWSKI
Director
London

AEGON FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1994

1 Principal Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

1.1 Basis of accounting

The financial statements are prepared in accordance with the historical cost convention on a going concern basis. The appropriateness of this treatment is dependant on the continued support of the parent company, AEGON Financial Services Group (UK) PLC. The parent company has given written confirmation of its intention to support the company as a going concern for the foreseeable future.

1.2 Turnover

Earned commission has been credited to profit and loss account on a receivable basis.

1.3 Pension costs

Contributions to the staff pension scheme are charged to the profit and loss account so as to spread the cost of pensions over employees working lives with the Company.

2 Turnover

Turnover is derived entirely from operations within the United Kingdom and consists of:-

	1994 £	1993 £
Commission receivable from AEGON Life Assurance Company (UK) Limited	3,488,272	4,200,964
Expense margins receivable from AEGON Life Assurance Company (UK) Limited	<u>953,000</u>	<u>1,930,681</u>
	<u>4,441,272</u>	<u>6,131,645</u>

AEGON FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1994

3 Administrative expenses

	1994	1993
	£	£
3.1 Directors' remuneration		
Emoluments other than fees	317,820	313,385
Pension Scheme contributions	18,772	18,772
Compensation for loss of office	<u>247,580</u>	<u>-</u>
	<u>584,172</u>	<u>332,157</u>

The emoluments, excluding pension contributions and compensation for loss of office of directors of the company, are detailed as follows:

	1994	1993
	£	£
Chairman	63,532	63,566
Highest paid Director	86,019	116,227
The directors' emoluments were in the ranges:		
nil - £5,000	4	3
£15,001 - £20,000	1	-
£35,001 - £40,000	1	-
£50,001 - £55,000	-	1
£55,001 - £60,000	2	-
£60,001 - £65,000	1	1
£75,001 - £80,000	-	1
£85,001 - £90,000	1	-
£115,001 - £120,000	-	1

3.2 Staff costs

Employees' contracts of service are with the immediate holding company and their remuneration is included in the group financial statements. The management charge which the immediate holding company makes includes a charge for the staff costs of the company.

AEGON FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1994

		1994	1993
3.3	Lease rentals	£	£
	Hire of assets - operating leases	<u>97,685</u>	<u>91,177</u>
4	Loss on Ordinary Activities	1994	1993
		£	£
	The loss on ordinary activities is stated after charging:		
	Auditors' remuneration - audit services	4,242	3,465
	Auditors' remuneration - other services	<u>-</u>	<u>159,324</u>
5.	Taxation	1994	1993
		£	£
	Payments receivable in respect of losses surrendered under Group Relief Provisions	<u>-</u>	<u>176,266</u>
6	Debtors	1994	1993
		£	£
	Amounts due from Agents of the Company	189,120	805,410
	Sundry debtors	<u>28,400</u>	<u>--</u>
		<u>217,520</u>	<u>805,410</u>
7	Creditors	1994	1993
		£	£
	Amounts due to Agents of the Company	313,596	--
	Amounts due to AEGON Financial Services Group (UK) PLC	<u>6,646,588</u>	<u>18,598,164</u>
		<u>6,960,184</u>	<u>18,598,164</u>

AEGON FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1994

8 Called Up Share Capital

Authorised:	1994 £	1993 £
80,000,000 Ordinary shares of 25p each	<u>20,000,000</u>	<u>10,000</u>
Allotted, called up and fully paid:		
61,024,664 Ordinary shares of 25p each	<u>15,256,166</u>	<u>2</u>

On 24 December 1994, 61,024,656 ordinary shares of 25p each, were issued at par, to AEGON Financial Services Group (UK) PLC, in order to reduce the company's net deficit

9 Profit and Loss Account

	1994 £
At 1 January 1994	(15,256,417)
Loss for the year	<u>(5,568,320)</u>
At 31 December 1994	<u>(20,824,737)</u>

10 Reconciliation of movement on shareholders' funds

	1994 £	1993 £
Opening shareholders' funds	(15,256,415)	(8,671,399)
Loss for the year	(5,568,320)	(6,585,016)
Shares issued at par	<u>15,256,164</u>	<u>--</u>
Closing shareholders' funds	<u>(5,568,571)</u>	<u>(15,256,415)</u>

AEGON FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1994

11 Commitments Under Operating Leases

At 31 December 1994 the company had annual commitments under operating leases as follows:

	1994	1994	1993	1993
	Buildings	Other	Buildings	Other
	£	£	£	£
Operating leases which expire:-				
Within one year	17,082	--	--	--
In the second to fifth year (inclusive)	32,250	--	60,157	31,020
after more than five years	--	--	--	--
	<u>49,332</u>	<u>--</u>	<u>60,157</u>	<u>31,020</u>

12 Pension Scheme

As a subsidiary of AEGON Financial Services Group (UK) PLC, the company contributes to the AEGON Financial Services Group (UK) Staff Pension Scheme which provides pension benefits to employees of all the group companies. This pension scheme is a defined benefit funded scheme.

The assets of the scheme are invested, by the trustees, in the assurance funds of AEGON Life Assurance Company (UK) Limited and are segregated from the assets of the group.

The particulars of the actuarial valuation of the group scheme are to be found in the financial statements of AEGON Financial Services Group (UK) PLC.

AEGON FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1994

13 Cash Flow Statement

The company is a wholly owned subsidiary of AEGON Financial Services Group (UK) PLC and the cash flows of the company are included in the consolidated group cash flow statement of AEGON Financial Services Group (UK) PLC. Consequently the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement

14 Capital Commitments

As at 31 December 1994, no future capital expenditure had been authorised by the Board (1993: £NIL).

15 Immediate Parent Company

The immediate parent company is AEGON Financial Services Group (UK) PLC, a company incorporated in the United Kingdom. Copies of the financial statements of the parent company may be obtained from its registered office at:-

AEGON House
Lanark Square
Crossharbour
London E14 9XS

16 Ultimate Parent Company

The ultimate parent company is AEGON nv, a company incorporated in the Netherlands. Copies of the financial statements of the ultimate parent company may be obtained from its registered office at:-

AEGON nv
Mariahoeveplein 50
PO Box 202
2501 CE
The Hague
The Netherlands
Telephone 00 31 70 344 3210