

**THE EXCELSIOR INSURANCE COMPANY LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**30 SEPTEMBER 1998**

**REGISTERED NUMBER: 2396184**



**THE EXCELSIOR INSURANCE COMPANY LIMITED**

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**DIRECTORS AND OFFICERS**

**DIRECTORS**

Mr G J Parrott	(Chairman)
Mr J M Bryan	(Managing)

**SECRETARY**

Mrs H J Tautz

**AUDITORS**

KPMG Audit Plc

**BANKERS**

Clydesdale Bank Plc

**MANAGERS**

Eastgate Insurance Services Limited

**REGISTERED OFFICE**

166 High Holborn  
LONDON  
WC1V 6TT

## THE EXCELSIOR INSURANCE COMPANY LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1998

The Directors present their Report together with the audited financial statements of the Company for the year ended 30 September 1998. Comparative amounts are for the year ended 30 September 1997.

### PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the Company is the run-off of its general insurance business. The Company underwrote a proportion of the insurance risks of Forte Limited and its subsidiary companies. The Company requested that its authorisation to write new insurance business be withdrawn under Section 11 of the Insurance Companies Act 1982. This was effected on 10 July 1998.

The results for the period are set out on pages 5 and 6. No new or renewal business has been underwritten in the year ended 30 September 1998.

### RESULTS, DIVIDENDS AND TRANSFERS TO RESERVES

The pre tax profits for the period are £718,614 (1997: £1,184,715). The profit after taxation amounting to £797,571 (1997: £799,130) has been transferred to reserves.

The Directors do not recommend the payment of a dividend (1997: £Nil).

### DIRECTORS

The Directors of the Company at 30 September 1998 were as follows:

Mr G J Parrott  
Mr J M Bryan

Mr R C Hall resigned on 28 November 1997, and Mr J M Bryan was appointed on 17 November 1997.

### DIRECTORS' INTERESTS

None of the Directors had a direct interest in the issued share capital of the Company.

The interests of the Directors in the issued share capital of Granada Group PLC were as follows:

	At 30 September 1998	At 30 September 1997 (or date of appointment if later)
J M Bryan	4,731	1,015

The following Directors held share options under Granada's Executive and Savings-Related Share Option Schemes:

	At 30 September 1998	At 30 September 1997 (or date of appointment if later)	Granted during the year	Exercised during the year
J M Bryan	9,007	5,263	6,882	3,138

Mr G J Parrott is also a Director of Granada Group PLC and his share interests are shown in that Company's Report and Accounts.

No Director is or was materially interested in any contract of significance subsisting during or at the end of the financial year in relation to the Company's business.

**THE EXCELSIOR INSURANCE COMPANY LIMITED**

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**DIRECTORS' REPORT FOR THE YEAR ENDED (CONTINUED)  
30 SEPTEMBER 1998**

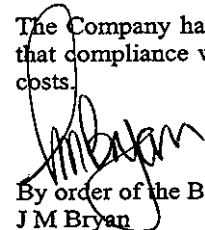
**ELECTIVE RESOLUTIONS**

The Company has passed Elective Resolutions to dispense with the laying of the Annual Report and Accounts before the Company in General Meeting, the appointment of auditors annually and the holding of Annual General Meetings, pursuant to Sections 252, 386 and 366A respectively of the Companies Act 1985.

**YEAR 2000**

The Company recognises that there are risks and uncertainties surrounding the Year 2000 issue. The Company is principally reliant on the systems of external suppliers; Eastgate Insurance Services Limited (EIS) and Royal & Sun Alliance (RSA), and on the systems of its parent Granada Group PLC.

The Company has sought an assessment of the impact of Year 2000 on EIS, RSA and Granada, and believes that compliance will be achieved within an appropriate timeframe. It does not expect to incur any additional costs.

  
By order of the Board  
J M Bryan  
Director

  
H J Tautz  
Secretary

LONDON

DATE: 24 / 2 / 1999

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year, which comply with the provisions of the Companies Act 1985. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

**THE EXCELSIOR INSURANCE COMPANY LIMITED**

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**REPORT OF THE AUDITOR, KPMG AUDIT PLC, TO THE MEMBERS OF  
THE EXCELSIOR INSURANCE COMPANY LIMITED**

We have audited the financial statements on pages 6 to 14.

**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.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 30 September 1998 and of its profit for the 12 months then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
and Registered Auditor  
Marlborough House  
Fitzalan Court  
Fitzalan Road  
Cardiff

*5 March 1999*

THE EXCELSIOR INSURANCE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 SEPTEMBER 1998

Technical Account - General Business

	<u>Notes</u>	<u>12 months to 30.09.98 £</u>	<u>12 months to 30.09.97 £</u>
Earned premiums, net of reinsurance		<u>-</u>	<u>-</u>
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		(1,085,557)	(913,002)
- reinsurers' share		<u>-</u>	<u>-</u>
		<u>1,085,557</u>	<u>913,002</u>
Change in the provision for claims			
- gross amount		1,355,752	1,870,412
- reinsurers' share		<u>(54,788)</u>	<u>(215,399)</u>
		1,300,964	1,655,013
Claims incurred, net of reinsurance	2	<u>215,407</u>	<u>742,011</u>
Operating expenses - administrative expenses	2	<u>(73,650)</u>	<u>(85,497)</u>
Balance on the technical account for general business	2	<u>141,757</u>	<u>656,514</u>

The notes on pages 10 to 14 form part of these financial statements

**THE EXCELSIOR INSURANCE COMPANY LIMITED**

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**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 SEPTEMBER 1998**

**Non-Technical Account**

	<u>Notes</u>	<u>12 months to 30.09.98 £</u>	<u>12 months to 30.09.97 £</u>
Balance on the general business technical account		141,757	656,514
Investment income	4	576,857	528,201
Profit on ordinary activities before tax		<u>718,614</u>	<u>1,184,715</u>
Tax on profit on ordinary activities	7	78,957	(385,585)
Retained profit for the period		<u>797,571</u>	<u>799,130</u>

**Statement of recognised gains and losses**

The Company had no recognised gains or losses during either period, other than those reflected in the above Profit and Loss Account.

The notes on pages 10 to 14 form part of these financial statements



**THE EXCELSIOR INSURANCE COMPANY LIMITED**

**BALANCE SHEET  
AS AT 30 SEPTEMBER 1998**

	<u>Notes</u>	<u>As at 30.09.98 £</u>	<u>As at 30.09.97 £</u>
<b>ASSETS</b>			
<b>Investments</b>			
Deposits with credit institutions		<u>7,505,934</u>	<u>8,350,000</u>
<b>Reinsurers' share of technical provisions</b>			
Claims outstanding		<u>110,855</u>	<u>165,643</u>
<b>Debtors</b>			
Debtors arising out of direct insurance operations			
- intermediaries		176,657	176,657
Amounts owed to parent undertaking		101,000	84,000
Deferred tax asset	9	<u>124,402</u>	<u>149,365</u>
		<u>402,059</u>	<u>410,022</u>
<b>Other assets</b>			
Cash at bank and in hand		<u>263,100</u>	<u>30,339</u>
<b>Prepayments and accrued income</b>			
Accrued interest		<u>125,019</u>	<u>84,289</u>
<b>Total Assets</b>		<u>8,406,967</u>	<u>9,040,293</u>

The notes on pages 10 to 14 form part of these financial statements

THE EXCELSIOR INSURANCE COMPANY LIMITED

BALANCE SHEET  
AS AT 30 SEPTEMBER 1998

	Notes	As at 30.09.98 £	As at 30.09.97 £
<b>LIABILITIES</b>			
<b>Capital and reserves</b>			
Called up share capital	8	3,500,000	3,500,000
Profit and loss account	11	<u>1,304,821</u>	<u>507,250</u>
Shareholders funds - equity interests		<u>4,804,821</u>	<u>4,007,250</u>
<b>Technical provisions</b>			
Claims outstanding	2	<u>2,120,763</u>	<u>3,476,515</u>
<b>Creditors</b>			
Creditors arising out of direct insurance operations		103,269	94,089
Other creditors including tax and social security	10	<u>1,363,514</u>	<u>1,450,439</u>
		<u>1,466,783</u>	<u>1,544,528</u>
Accruals and deferred income		<u>14,600</u>	<u>12,000</u>
<b>Total Liabilities</b>		<u><u>8,406,967</u></u>	<u><u>9,040,293</u></u>

APPROVED ON BEHALF OF THE BOARD ON 24 February 1999 BY

  
J M BRYAN  
DIRECTOR

The notes on pages 10 to 14 form part of these financial statements

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1998

1 ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of Section 255 and Schedule 9A to the Companies Act 1985, which cover the disclosures applicable to insurance companies.

The financial statements have been prepared in accordance with applicable accounting standards.

(b) Basis of Technical Accounting

Full provision is made for all claims incurred and outstanding, including claims incurred but not reported (IBNR), at the balance sheet date. Paid claims include collection expenses and loss adjusters' fees.

(c) Claims

Claims outstanding represents the ultimate cost of settling all claims (including direct and indirect claims settlement costs) arising from events which have occurred up to the balance sheet date including a provision for claims incurred but not yet reported less any amounts paid in respect of these liabilities. Claims outstanding is reduced by anticipated salvage and other recoveries.

(d) Foreign Currency Conversion

Income and expenditure in the principal foreign currencies is translated at the rates ruling at the balance sheet date. Other foreign currency income and expenditure is translated at the rate ruling on the date the transaction took place.

(e) Investment Income --

Investment income represents interest receivable for the period and is credited to the Profit and Loss account on an accruals basis.

(f) Deferred Tax

Deferred tax is provided only where a liability or asset is expected to arise in the foreseeable future.

(g) Cash Flow Statements

As more than 90% of the voting rights in the Company are controlled within the group headed by Granada Group PLC, whose consolidated financial statements in which the Company is consolidated are publicly available, under Financial Reporting Standard 1 (revised 1996), the Company is exempt from the requirement to prepare a cashflow statement.

THE EXCELSIOR INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1998 (CONTINUED)

2 SEGMENTAL ANALYSIS

Gross claims incurred and operating expenses

	<u>Gross claims incurred</u>		<u>Operating expenses</u>	
	<u>12 months to 30.09.98</u>	<u>12 months to 30.09.97</u>	<u>12 months to 30.09.98</u>	<u>12 months to 30.09.97</u>
	£	£	£	£
Direct insurance				
Accident and health	-	-	-	-
Motor	(6,841)	83,495	(1,009)	(7,801)
Fire and other damage to property	(3,955)	10,000	(133)	-
Third party liability	280,991	853,915	(72,508)	(77,696)
Miscellaneous	-	<u>10,000</u>	-	-
	<u>270,195</u>	<u>957,410</u>	<u>(73,650)</u>	<u>(85,497)</u>

Other segmental information

	<u>Reinsurance balance</u>		<u>Balance on the technical account</u>		<u>Gross technical provisions</u>	
	<u>12 months to 30.09.98</u>	<u>12 months to 30.09.97</u>	<u>12 months to 30.09.98</u>	<u>12 months to 30.09.97</u>	<u>As at 30.09.98</u>	<u>As at 30.09.97</u>
	£	£	£	£	£	£
Direct insurance						
Accident and health	-	-	-	-	1,890	1,890
Motor	-	-	(7,850)	75,694	65,250	73,275
Fire and other damage to property	-	-	(4,088)	10,000	4,905	2,905
Third party liability	(54,788)	(215,399)	153,695	560,820	2,048,718	3,398,445
Miscellaneous	-	-	-	<u>10,000</u>	-	-
	<u>(54,788)</u>	<u>(215,399)</u>	<u>141,757</u>	<u>656,514</u>	<u>2,120,763</u>	<u>3,476,515</u>

3 RELEASE OF OVER PROVISION OF PRIOR YEAR'S OUTSTANDING CLAIMS

	<u>12 months to 30.09.98</u>	<u>12 months to 30.09.97</u>
	£	£
Direct insurance		
Accident and health	-	-
Motor		
- third party liability	6,841	(93,475)
- other	-	9,980
Fire and other damage to property	3,955	(10,000)
Third party liability	(226,203)	(638,516)
Miscellaneous	-	<u>(10,000)</u>
Release of over provision of prior year's outstanding claims	<u>(215,407)</u>	<u>(742,011)</u>

In accordance with the provisions of Financial Reporting Standard 3 and the ABI Guidance on Accounting for Insurance Business, the Directors have considered the need for a provision for the future costs of running off the business. No provision has been made as the future costs are expected to be immaterial in relation to the expected future investment income of the Company.

# THE EXCELSIOR INSURANCE COMPANY LIMITED

## NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1998 (CONTINUED)

### 4 INVESTMENT RETURN SUMMARY

	12 months to 30.09.98 £	12 months to 30.09.97 £
Investment income		
Income from short term deposits	<u>576,857</u>	<u>528,201</u>
Total investment return	<u>576,857</u>	<u>528,201</u>

### 5 AUDITORS' REMUNERATION

The remuneration of the auditor for audit services during the year amounted to £12,000 (1997: £12,000). During 1997, £7,592 was paid to the Company's previous auditors for audit services.

### 6 STAFF COSTS

The Company employed no staff during the year ended 30 September 1998 (1997: Nil). As in the prior year, none of the Company's Directors received any remuneration in respect of their services to the Company.

### 7 TAXATION

	12 months to 30.09.98 £	12 months to 30.09.97 £
Current year:		
- UK Corporation tax charge at 31% (1997: 32%)	(204,369)	(390,717)
- Deferred taxation (note 9)	(24,963)	5,132
	<u>(229,332)</u>	<u>(385,585)</u>
Adjustment relating to earlier years:		
- UK Corporation Tax	308,289	-
	<u>78,957</u>	<u>(385,585)</u>

### 8 SHARE CAPITAL

	As at 30.09.98 £	As at 30.09.97 £
Authorised: Ordinary Shares of £1 each	<u>4,000,000</u>	<u>4,000,000</u>
Issued, allotted, called-up and fully paid: Ordinary Shares of £1 each	<u>3,500,000</u>	<u>3,500,000</u>

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1998 (CONTINUED)

9 DEFERRED TAXATION

The full potential deferred tax asset at 31% (1997: 32%) is as follows:

As at 30.09.98		As at 30.09.97	
Provided £	Not Provided £	Provided £	Not Provided £
124,402	-	149,365	-

The short term timing difference as at 30 September 1998 reflects the different tax and accounting treatment of certain claims provisions within underwriting creditors.

10 CREDITORS

Other creditors including tax and social security falling due within one year:

	As at 30.09.98 £	As at 30.09.97 £
Corporation tax	277,076	636,667
Amounts owed to parent undertaking	1,086,438	813,772
	<u>1,363,514</u>	<u>1,450,439</u>

11 PROFIT AND LOSS ACCOUNT

	£
Balance at 1 October 1997	507,250
Retained profit for the period	<u>797,571</u>
Balance at 30 September 1998	<u>1,304,821</u>

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1998 (CONTINUED)

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	As at <u>30.09.98</u> £	As at <u>30.09.97</u> £
Profit for the period	797,571	799,130
Net additions to shareholders' funds	797,571	799,130
Opening shareholders' funds	4,007,250	3,208,120
Closing shareholders' funds	<u>4,804,821</u>	<u>4,007,250</u>

13 RELATED PARTY TRANSACTIONS

The ultimate controlling party is Granada Group PLC.

As 90% or more of the Company's voting rights are controlled within the group headed by Granada Group PLC, and the Company is included within the publicly available consolidated financial statements of Granada Group PLC, the Company is exempt from the requirement of Financial Reporting Standard 8 to disclose transactions with those undertakings that are part of the group or investees of that group qualifying as related parties.

14 ULTIMATE PARENT COMPANY

The Company's ultimate parent company is Granada Group PLC, a company registered in England.

Copies of the group financial statements may be obtained from:

Stornoway House  
13 Cleveland Row  
London  
SW1A 1GG