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THE EXCELSIOR INSURANCE COMPANY LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 JANUARY 1994



# 2710494

## DIRECTORS

## DIRECTORS

Mr D A Main (Chairman)  
Mr R C Hall (Managing)  
Mr G F L Proctor

**SECRETARY**

**Eastgate Management Services Limited**

## AUDITORS

**Price Waterhouse**

## BANKERS

**Clydesdale Bank Plc**

## MANAGERS

**Em'gate Management Services Limited**

**REGISTERED OFFICE**

**America House  
Two America Square  
LONDON  
EC3N 2LU**

**REGISTERED NUMBER**

2396184

# 270494

## THE EXCELSIOR INSURANCE COMPANY LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 1994

#### ACCOUNTS

The Directors present their Report together with the audited accounts of the Company for the period 1 February 1993 to 31 January 1994. The results for the period and the proposed transfer to reserves are set out on Page 7.

#### PRINCIPAL ACTIVITY

The Principal activity of the Company is general insurance and reinsurance business. The Company underwrites a proportion of the insurance risks of Forte Plc and its subsidiary companies.

#### REVIEW AND BUSINESS DEVELOPMENT

The pre tax profits for the year at £371,473 (1993: Loss £1,432,875) reflect a significant improvement in the underwriting results of the Company.

The paid up share capital was increased by £1.5 million on 31st January 1994 thereby strengthening the Company's financial base in order to allow for any future developments.

The company will continue with its principal activities.

#### DIRECTORS

The present Directors are shown on page 1 and have served throughout the period under review. In addition Mr D Heare and Mr C M Keeling resigned as Directors of the Company on 30th April 1993 and 15th May 1993 respectively.

#### DIRECTORS' INTERESTS

Under the provisions of the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985, the Directors of the Company (except Mr R C Hall, shown below) are exempt from disclosing to this Company any interest they may have in share of the ultimate holding Company:-

	Forte Plc			
	As at 31.1.94		As at 1.2.93	
	25p ord. shares	share options	25p ord. shares	share options
Mr R C Hall	63	63318	63	65455

The period and prices at which the Forte Plc Sharesave options held by Mr R C Hall are exercisable are disclosed in the accounts of Forte Plc. Mr R C Hall exercised 1637 share options during the year.

## THE EXCELSIOR INSURANCE COMPANY LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 1994 (CONTINUED)

#### DIRECTORS' INTERESTS (continued)

The other Directors of The Excelsior Insurance Company Limited are also directors of Forte Plc and the interest of those Directors in the shares of the ultimate holding Company are disclosed in that Company's financial statements.

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.

#### SHARE CAPITAL

On 31st January 1994 the authorised share capital of the Company was increased to £4,000,000.

On 31st January 1994 the paid up share capital of the Company was increased to £3,500,000 by the allotment of 1,500,000 fully paid up ordinary shares of £1 each.

#### DIVIDEND

The Directors do not recommend the payment of a dividend.

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. 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;
- 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 to 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 for the prevention and detection of fraud and other irregularities.

**THE EXCELSIOR INSURANCE COMPANY LIMITED**

**DIRECTORS' REPORT FOR THE YEAR ENDED  
31 JANUARY 1994 (CONTINUED)**

**AUDITORS**

The Company's Auditor is Price Waterhouse. In accordance with Section 385 of the Companies Act 1985, a resolution for the reappointment of the auditors, Price Waterhouse, will be proposed at the forthcoming Annual General Meeting.

By order of the Board



**EASTGATE MANAGEMENT SERVICES LIMITED**  
Secretary

**LONDON**

**DATE: 23RD March 1994**

*Price Waterhouse*



**AUDITORS' REPORT TO THE MEMBERS OF  
THE EXCELSIOR INSURANCE COMPANY LIMITED**

We have audited the financial statements on pages 6 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

**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 31 January 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*

PRICE WATERHOUSE  
Chartered Accountants and  
Registered Auditors

THE EXCELSIOR INSURANCE COMPANY LIMITED

REVENUE ACCOUNT  
FOR THE YEAR 1 FEBRUARY 1993 TO 31 JANUARY 1994

	Note	<u>1994</u> £	<u>1993</u> £
Gross Premiums receivable	1(b)	4,659,072	5,018,736
Less: Unearned Premium	1(b)	<u>(508,945)</u>	<u>(666,386)</u>
	2	4,150,127	4,352,350
Less :Reinsurance premiums payable		<u>(81,936)</u>	<u>(75,554)</u>
Net premium income		4,068,191	4,276,796
Claims Incurred	1(b)	<u>(4,363,355)</u>	<u>(6,714,511)</u>
Underwriting result transferred to the profit and loss account		<u>(295,164)</u>	<u>(2,437,715)</u>

THE EXCELSIOR INSURANCE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR 1 FEBRUARY 1993 TO 31 JANUARY 1994

	Note	1994 £	1993 £
Transfer from Revenue Account		(295,164)	(2,437,715)
Investment Income	1(d),3(a)	932,001	1,191,521
Management expenses	3(b)	<u>(265,364)</u>	<u>(186,681)</u>
Profit / (Loss) on ordinary activities before taxation		371,473	(1,432,875)
Taxation (charge)/credit on ordinary activities	4	<u>(128,984)</u>	<u>480,551</u>
Profit / (Loss) for the financial year		242,489	(952,324)
Retained loss brought forward		<u>(994,202)</u>	<u>(41,878)</u>
Retained loss carried forward		<u>(751,713)</u>	<u>(994,202)</u>

Statement of total recognised gains and losses for the period 1st February 1993 to 31st January 1994

The Company had no recognised gains or losses during the period other than those reflected in the above profit and loss account.

The notes on pages 9 to 14 form part of these financial statements




THE EXCELSIOR INSURANCE COMPANY LIMITED

BALANCE SHEET - 31 JANUARY 1994

	Note	1994 £	1993 £
Investments and deposits	5	13,582,488	8,884,119
Current assets:			
Debtors	6	557,173	1,309,891
Bank deposits and cash		67,392	10,958
Deferred tax asset	7	505,618	54,979
Amounts owed by parent undertaking		<u>-</u>	<u>653,578</u>
		1,130,783	2,029,406
Less: current liabilities			
Underwriting creditors		288,406	127,210
Sundry creditors		56,923	100,706
Taxation		<u>813,546</u>	<u>309,793</u>
		1,158,875	537,709
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>13,554,396</b>	<b>10,375,816</b>
Less: Insurance funds and reserves			
Underwriting reserves		10,297,164	8,703,632
Unearned premium income		<u>508,945</u>	<u>666,386</u>
		10,806,109	9,370,018
<b>NET ASSETS</b>		<b><u>2,748,287</u></b>	<b><u>1,005,798</u></b>
Share Capital	8	3,500,000	2,000,000
Reserves		<u>(751,713)</u>	<u>(994,202)</u>
	9	<b><u>2,748,287</u></b>	<b><u>1,005,798</u></b>

APPROVED ON BEHALF OF THE BOARD ON 23RD MARCH 1994 BY

  
D A Main  
DIRECTOR

R C Hall  
DIRECTOR



The notes on pages 9 to 14 form part of these financial statements

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THE EXCELSIOR INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1994

1 ACCOUNTING POLICIES

(a) Basis of preparation

The accounts of the Company are prepared under the historical cost convention, in compliance with Chapter ii of Part vii of and Schedule 9 to the Companies Act 1985, applicable to insurance companies and comply in all material respects with applicable Accounting Standards.

(b) Underwriting

The accounts include all premiums receivable in respect of the period. Premiums relating to periods after the balance sheet date are treated as unearned and carried forward in the balance sheet.

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.

Gross premiums receivable are stated net of all acquisition costs.

(c) Translation of foreign currencies

Assets, liabilities and transactions in the overseas currencies in which the Company transacts business retranslated to sterling at the period end rates of exchange, except where they are covered by forward exchange contracts.

Gains and losses arising on investment income denominated in foreign currency are recognised in the Profit and Loss account as they arise.

(d) Investment Income

Investment income represents interest receivable for the period and is credited to the Profit and Loss account. In addition, gains or losses on the disposal of investments are credited or debited to investment income in the Profit and Loss account.

(e) Investments

Investments are stated at cost, other than where the Directors are of the opinion that there has been a permanent diminution in value, when the investment is written down to its recoverable amount.

# THE EXCELSIOR INSURANCE COMPANY LIMITED

## NOTES TO THE ACCOUNTS - 31 JANUARY 1994 (CONTINUED)

### 1 ACCOUNTING POLICIES (CONTINUED)

#### (f) Taxation

Taxation is charged in the Profit and Loss account at current rates of corporation tax on the taxable profit, including underwriting results.

Deferred taxation is provided on a full potential basis on timing differences at the current rate of corporation tax.

### 2 SEGMENTAL INFORMATION

	1994		1993	
	Earned Premiums	Underwriting Result	Earned Premiums	Underwriting Result
	£	£	£	£
<b>UK BUSINESS</b>				
General	2,590,077	703,603	3,256,467	(1,261,548)
Healthcare	<u>856,437</u>	<u>254,146</u>	<u>1,095,883</u>	<u>188,286</u>
	3,446,514	957,749	4,352,350	(1,073,262)
<b>OVERSEAS BUSINESS</b>				
General:				
European	405,866	68,152	---	---
Other (non USA)	<u>297,747</u>	<u>187,747</u>	---	---
	703,613	255,899	---	---
	<u>4,150,127</u>	<u>1,213,648</u>	<u>4,352,350</u>	<u>(1,073,262)</u>

The amounts in respect of the underwriting result above are before the benefits of investment income on underwriting balances, which is taken directly to Profit and Loss account.

THE EXCELSIOR INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1994 (CONTINUED)

3 PROFIT AND LOSS ACCOUNT

(a) Investment income		<u>1994</u>	<u>1993</u>
Investment income comprises:		£	£
Income from listed investments		867,307	714,670
Income from unlisted securities		-	69,092
Income from short term deposits		<u>64,694</u>	<u>407,759</u>
		<u>932,001</u>	<u>1,191,521</u>
(b) Management Expenses		<u>1994</u>	<u>1993</u>
Management expenses include the following :		£	£
Directors' emoluments		-	-
Audit Fee		14,981	7,984

4 TAXATION

	<u>1994</u>	<u>1993</u>
	£	£
Current year		
- U.K. Corporation tax (charge/credit at 33% (1993: 33%))	(579,623)	653,578
- Deferred taxation (note 7)	450,639	(185,921)
Prior year:		
- Corporation tax	-	(240,900)
- Deferred tax	-	<u>253,794</u>
	<u>(128,984)</u>	<u>480,551</u>

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THE EXCELSIOR INSURANCE COMPANY LIMITED

## NOTES TO THE ACCOUNTS - 31 JANUARY 1994 (CONTINUED)

### 5 INVESTMENTS AND DEPOSITS

	<u>1994</u> £	<u>1993</u> £
Listed investments at cost :		
- Fixed rate securities	5,297,713	5,889,593
- Floating rate securities	<u>7,215,638</u>	<u>1,034,172</u>
	12,513,351	6,923,765
Unlisted Securities	-	-
Fixed deposits	<u>1,069,137</u>	<u>1,960,354</u>
	<u>13,582,488</u>	<u>8,884,119</u>

Of the listed investments, the split between those listed on a recognised stock exchange in Great Britain and those listed elsewhere is:

	<u>1994</u> £	<u>1993</u> £
Recognised Stock Exchange in Great Britain	9,566,056	4,800,098
Outside Great Britain	<u>2,947,295</u>	<u>2,123,667</u>
	12,513,351	6,923,765

The market value of investments held is not materially different from cost.

### 6 DEBTORS

	<u>1994</u> £	<u>1993</u> £
Underwriting debtors	232,435	1,005,608
Sundry debtors	<u>325,338</u>	<u>304,283</u>
	<u>557,773</u>	<u>1,309,891</u>

## THE EXCELSIOR INSURANCE COMPANY LIMITED

## NOTES TO THE ACCOUNTS - 31 JANUARY 1994 (CONTINUED)

## 7 DEFERRED TAXATION

The full potential deferred tax asset at 33% is as follows:

1994		1993	
Provided	Not Provided	Provided	Not Provided
£	£	£	£
505,618	-	54,979	-
=====	=====	=====	=====

The short term timing difference in 1994 reflects the different tax and accounting treatment of certain claims provisions within underwriting creditors.

## 8 SHARE CAPITAL

	1994 £	1993 £
Authorised: 4,000,000 (1993: 2,500,000) Ordinary Shares of £1 each	4,000,000	2,500,000
	=====	=====
Issued and fully paid: 3,500,000 (1993: 2,000,000) Ordinary Shares of £1 each	3,500,000	2,000,000
	=====	=====

On 31st January 1994 the authorised share capital of the Company was increased by 1,500,000 Ordinary shares of £1 each.

On 31st January 1994 the Company issued 1,500,000 Ordinary shares of £1 each to Forte Plc for a total consideration of £1,500,000, in order to allow for further development of the Company.

## 9 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE PERIOD ENDED 31 JANUARY 1994

	1994 £	1993 £
Profit / (Loss) after taxation	242,489	(952,324)
New share capital issued	1,500,000	492,998
Net increase / (decrease) in shareholders' funds	1,742,489	(452,326)
Opening shareholders' funds	1,005,798	1,458,124
	2,748,287	1,005,798
	=====	=====

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THE EXCELSIOR INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1994 (CONTINUED)

10 ULTIMATE HOLDING COMPANY

The ultimate holding Company is Forte Plc, a Company registered in England.

The Forte Group is the smallest and largest group of which the Company is a member and for which group accounts are prepared.

Copies of the group financial statements may be obtained from:

Forte Plc  
166 High Holborn  
LONDON  
WC1V 6TT