

THE EXCELSIOR INSURANCE COMPANY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 JANUARY 1996

REGISTERED NUMBER: 2396184



THE EXCELSIOR INSURANCE COMPANY LIMITED

DIRECTORS AND OFFICERS

DIRECTORS

Mr G J Parrott (Chairman)
Mr R C Hall (Managing)

SECRETARY

Mrs H Tautz

AUDITORS

Price Waterhouse

BANKERS

Clydesdale Bank Plc

MANAGERS

Eastgate Management Services Limited

REGISTERED OFFICE

166 High Holborn
LONDON
WC1V 6TT

THE EXCELSIOR INSURANCE COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 1996

The Directors present their Report together with the audited financial statements of the Company for the year ended 31 January 1996.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

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

The results for the year are set out on pages 6 and 7.

No new or renewal business has been underwritten in the year ended 31 January 1996.

RESULTS, DIVIDENDS AND TRANSFERS TO RESERVES

The pre tax profits for the period are £394,062 (1995: £108,138). The profit after taxation amounting to £113,429 (1995: £66,540) has been transferred to reserves.

The Directors do not recommend the payment of a dividend (1995: £Nil).

CHANGES IN PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Schedule 1, Part 1 of the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 which amends section 255 and Schedule 9A of the Companies Act 1985 and came into effect for periods commencing on or after 23 December 1994. The Company has followed the recommendations of the Association of British Insurers' draft Statement of Recommended Practice (SORP) on Accounting for Insurance Business issued on 17 May 1995.

The Regulations require insurance companies to follow for the first time detailed prescribed formats for the profit and loss account and balance sheet and accordingly the prior year figures have been restated to comply with the changes in presentation introduced by the Regulations. The restatement of prior year figures has not resulted in any change to the retained balance on the Profit and Loss Account at 31 January 1995.

In accordance with the provisions of Financial Reporting Standard 3 and the draft SORP 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.

DIRECTORS

The Directors of the Company at 31 January 1996 were as follows:

Mr K Hamill
Mr R C Hall
Mr D J Stevens
Mr G F L Proctor

THE EXCELSIOR INSURANCE COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 1996 (CONTINUED)

DIRECTORS (continued)

Mr J G Edis-Bates was appointed as a Director on 1 February 1995 and resigned on 6 November 1995. Mr D J Stevens was appointed as a Director on 6 November 1995.

Mr K Hamill, Mr D J Stevens and Mr G F L Proctor resigned as Directors on 26 March 1996, 31 March 1996 and 29 February 1996 respectively.

Mr G J Parrott was appointed as a Director on 3 April 1996.

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 and Mr D Stevens, shown below) are exempt from disclosing to this Company any interest they may have in shares of the immediate parent company.

Forte Plc

	Number as at 31.1.96		Exercised during the year	Number as at 1.2.95 or date of appointment where later	
	25p ord. shares	share options		25p ord. shares	share options
Mr R C Hall	63	3,834	61,954	145	65,788
Mr D Stevens	-	-	169,750	-	169,750

No share options were granted to Mr R C Hall during the year ended 31 January 1996 (1995: 1,970). The mid-market closing price of ordinary shares in the company on 31 January 1996 was 346p and the range of mid-market closing prices during the year then ended was 217p to 406p.

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 immediate parent 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.

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 auditor, Price Waterhouse, will be proposed at the forthcoming Annual General Meeting.

THE EXCELSIOR INSURANCE COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 1996 (CONTINUED)

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.

By order of the Board
R C Hall
Director



H Tautz
Secretary



LONDON

DATE: 31 July 1996

THE EXCELSIOR INSURANCE COMPANY LIMITED

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

We have audited the financial statements on pages 6 to 14 which have been prepared on the basis of the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 4 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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse
Chartered Accountants
and Registered Auditors
Bristol

31 July 1996

THE EXCELSIOR INSURANCE COMPANY LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 1996**

Technical Account - General Business

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> <u>Restated</u> £
Earned premiums, net of reinsurance			
Gross premiums written	2	-	38,928
Outward reinsurance premiums		-	(2,037)
Net premiums written		-	36,891
Change in the gross provision for unearned premiums		-	508,945
Earned premiums, net of reinsurance		-	545,836
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		1,641,839	2,318,568
- reinsurers' share		-	-
		<u>1,641,839</u>	<u>2,318,568</u>
Change in the provision for claims			
- gross amount		(1,392,238)	(1,865,065)
- reinsurers' share		-	-
		<u>(1,392,238)</u>	<u>(1,865,065)</u>
Claims incurred, net of reinsurance		<u>249,601</u>	<u>453,503</u>
Net operating expenses - administrative expenses		<u>93,013</u>	<u>232,138</u>
Balance on the technical account for general business		<u>(342,614)</u>	<u>(139,805)</u>

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

THE EXCELSIOR INSURANCE COMPANY LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 1996**

Non-Technical Account

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> <u>Restated</u> £
Balance on the general business technical account		(342,614)	(139,805)
Investment income	4	736,676	693,719
Unrealised losses on investments	4	-	(445,776)
Profit on ordinary activities before tax		<u>394,062</u>	<u>108,138</u>
Tax on profit on ordinary activities	7	(280,633)	(41,598)
Retained profit for the financial year		<u>113,429</u>	<u>66,540</u>

Statement of recognised gains and losses

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 10 to 14 form part of these financial statements

THE EXCELSIOR INSURANCE COMPANY LIMITED

**BALANCE SHEET
AS AT 31 JANUARY 1996**

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> <u>Restated</u> £
ASSETS			
Investments			
Other financial investments	8	<u>10,191,439</u>	<u>10,089,685</u>
Debtors			
Debtors arising out of direct insurance operations			
- intermediaries		303,598	232,044
Amounts owed by parent undertaking		101,000	-
Deferred tax asset		<u>108,013</u>	<u>470,383</u>
		<u>512,611</u>	<u>702,427</u>
Other assets			
Cash at bank and in hand		-	<u>1,210,085</u>
		-	<u>1,210,085</u>
Prepayments and accrued income			
Accrued interest		<u>152,594</u>	<u>184,178</u>
		<u>152,594</u>	<u>184,178</u>
Total Assets		<u>10,856,644</u>	<u>12,186,375</u>

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

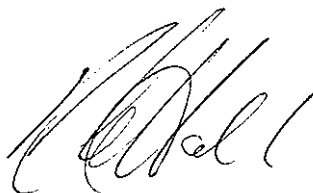
THE EXCELSIOR INSURANCE COMPANY LIMITED

**BALANCE SHEET
AS AT 31 JANUARY 1996**

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> <u>Restated</u> £
LIABILITIES			
Capital and reserves			
Called up share capital	9	3,500,000	3,500,000
Profit and loss account	12	(571,744)	(685,173)
Shareholders funds - equity interests		<u>2,928,256</u>	<u>2,814,827</u>
Technical provisions			
Claims outstanding		<u>7,039,853</u>	<u>8,432,091</u>
		<u>7,039,853</u>	<u>8,432,091</u>
Creditors			
Creditors arising out of direct insurance operations		1,450	105,070
Amounts owed to credit institutions	13	4,160	-
Other creditors including tax and social security	11	<u>849,595</u>	<u>787,245</u>
		<u>855,205</u>	<u>892,315</u>
Accruals and deferred income		<u>33,330</u>	<u>47,142</u>
Total Liabilities		<u>10,856,644</u>	<u>12,186,375</u>

APPROVED ON BEHALF OF THE BOARD ON 31 JULY 1996 BY

R C HALL
DIRECTOR



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

NOTES TO THE ACCOUNTS - 31 JANUARY 1996

1 ACCOUNTING POLICIES

(a) Basis of preparation and restatement of prior year amounts

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. Following the implementation into UK law of the European Union Council Directive on the annual accounts of insurance undertakings, Schedule 9A to the Act has been substituted by Schedule 1 to the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993. These financial statements have been prepared in accordance with the new Schedule 9A and comparatives have been restated accordingly. The restatement of the prior year figures has not resulted in any change to the retained balance on the Profit and Loss Account at 31 January 1995.

The financial statements have been prepared in accordance with applicable accounting standards and with the draft Statement of Recommended Practice (SORP) issued by the Association of British Insurers in May 1995.

Advantage has been taken of the transitional provision in the amendment to Financial Reporting Standard 5 which permits the offset of balances arising from insurance broking transactions.

(b) Basis of Technical Accounting

The financial statements 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) 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) Investments

Listed investments are included in the balance sheet at mid-market value.

(e) Investment Income

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

NOTES TO THE ACCOUNTS - 31 JANUARY 1996 (CONTINUED)

(f) Deferred Tax

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

2 SEGMENTAL ANALYSIS

Gross premiums written and gross premiums earned

	<u>Gross premiums written</u>		<u>Gross premiums earned</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£	£	£	£
Direct insurance				
Accident and health	-	(26,593)	-	482,352
Motor	-	-	-	-
Fire and other damage to property	-	-	-	-
Third party liability	-	20,995	-	20,995
Miscellaneous	-	44,526	-	44,526
	<u>-</u>	<u>38,928</u>	<u>-</u>	<u>547,873</u>

Gross claims incurred and gross operating expenses

	<u>Gross claims incurred</u>		<u>Gross operating expenses</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£	£	£	£
Direct insurance				
Accident and health	-	413,977	-	211,905
Motor	95,330	76,842	35,525	39,334
Fire and other damage to property	13,332	(88,161)	4,968	(45,128)
Third party liability	140,082	40,298	52,201	20,628
Miscellaneous	857	10,547	319	5,399
	<u>249,601</u>	<u>453,503</u>	<u>93,013</u>	<u>232,138</u>

Other segmental information

	<u>Reinsurance balance</u>		<u>Balance on the technical account</u>		<u>Gross technical provisions</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£	£	£	£	£	£
Direct insurance						
Accident and health	-	2,037	-	(145,567)	1,890	10,417
Motor	-	-	(130,855)	(116,176)	873,299	1,158,377
Fire and other damage to property	-	-	(18,300)	133,289	1,995	83,595
Third party liability	-	-	(192,283)	(39,931)	6,157,669	7,162,202
Miscellaneous	-	-	(1,176)	28,580	5,000	17,500
	<u>-</u>	<u>2,037</u>	<u>(342,614)</u>	<u>(139,805)</u>	<u>7,039,853</u>	<u>8,432,091</u>

NOTES TO THE ACCOUNTS - 31 JANUARY 1996 (CONTINUED)

3 MOVEMENT IN PRIOR YEAR'S CLAIMS PROVISIONS

	<u>1996</u> £	<u>1995</u> £
Direct insurance		
Accident and health	-	(413,977)
Motor		
- third party liability	(119,955)	52,490
- other	24,625	(129,332)
Fire and other damage to property	(13,332)	88,161
Third party liability	(140,082)	(40,298)
Miscellaneous	(857)	(10,547)
Under provision of prior year's claims outstanding	<u>(249,601)</u>	<u>(453,503)</u>

4 INVESTMENT RETURN SUMMARY

	<u>1996</u> £	<u>1995</u> £
Investment income		
Income from other investment - listed	-	824,546
Losses on the realisation of investments	(32,466)	(161,704)
Income from short term deposits	<u>769,142</u>	<u>30,877</u>
	736,676	693,719
 Unrealised losses on investments	 -	 (445,776)
Total investment return	<u>736,676</u>	<u>247,943</u>

5 AUDITORS REMUNERATION

The remuneration and expenses of the auditors for the audit of the accounts amounted to £10,000 (1995: £5,296).

6 STAFF COSTS

The Company employed no staff during the year ended 31 January 1996 (1995: Nil). As in the prior year, none of the Company's Directors received any emoluments.

7 TAXATION

	<u>1996</u> £	<u>1995</u> £
Current year:		
- UK Corporation tax charge at 33% (1995: 33%)	81,737	(6,363)
- Deferred taxation (note 9)	<u>(362,370)</u>	<u>(35,235)</u>
	<u>(280,633)</u>	<u>(41,598)</u>

THE EXCELSIOR INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 JANUARY 1996 (CONTINUED)

8 INVESTMENTS

	<u>1996</u>	<u>1995</u>
	£	£
Other financial investments		
Government fixed interest	-	959,688
Other listed fixed interest securities	-	2,237,312
- UK	-	
- Overseas	-	1,285,344
Other listed variable interest securities	-	5,105,716
- UK	-	
- Overseas	-	501,625
Deposits with credit institutions	10,191,439	-
	<u>10,191,439</u>	<u>10,089,685</u>
Total investments	10,191,439	10,089,685

9 SHARE CAPITAL

	<u>1996</u>	<u>1995</u>
	£	£
Authorised: Ordinary Shares of £1 each	<u>4,000,000</u>	<u>4,000,000</u>
Issued and fully paid: Ordinary Shares of £1 each	<u>3,500,000</u>	<u>3,500,000</u>

10 DEFERRED TAXATION

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

1996		1995	
Provided	Not Provided	Provided	Not Provided
£	£	£	£
<u>108,013</u>	<u>-</u>	<u>470,383</u>	<u>-</u>

The short term timing difference in 1996 reflects the different tax and accounting treatment of certain claims provisions within underwriting creditors and unrealised losses on investments.

11 CREDITORS

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

	<u>1996</u>	<u>1995</u>
	£	£
Corporation tax	35,823	787,245
Amounts owed to parent undertaking	813,772	-
	<u>849,595</u>	<u>787,245</u>

NOTES TO THE ACCOUNTS - 31 JANUARY 1996 (CONTINUED)

12 PROFIT AND LOSS ACCOUNT

	<u>1996</u> £
Balance at 1 February 1996	(685,173)
Retained profit for the financial year	113,429
	<hr/>
Balance at 31 January 1996	<u>(571,744)</u>

13 BORROWINGS

Bank borrowings and other loans are as follows:

	<u>1996</u> £	<u>1995</u> £
Amounts owed to credit institutions, repayable otherwise than by instalments:		
Within one year on demand	4,160	-
	<hr/>	<hr/>
	<u>4,160</u>	<u>-</u>

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1996</u> £	<u>1995</u> £
Profit for the financial year	113,429	66,540
	<hr/>	<hr/>
Net additions to shareholders' funds	113,429	66,540
Opening shareholders' funds	2,814,827	2,748,287
	<hr/>	<hr/>
Closing shareholders' funds	<u>2,928,256</u>	<u>2,814,827</u>

15 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