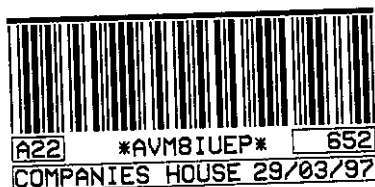


THE EXCELSIOR INSURANCE COMPANY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 SEPTEMBER 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

**DIRECTORS' REPORT FOR THE EIGHT MONTHS ENDED
30 SEPTEMBER 1996**

The Directors present their Report together with the audited financial statements of the Company for the eight months ended 30 September 1996. Comparative amounts are for the year to 31 January 1996.

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.

Forte Plc was taken over by Granada Group PLC on 29 January 1996 and ultimate ownership of the Excelsior Insurance Company Limited was transferred to Granada Group PLC. The Company's year end has been changed to 30 September, in line with that of its new parent. Comparative amounts are for the year to 31 January 1996.

The results for the period are set out on pages 5 and 6. No new or renewal business has been underwritten in the eight months ended 30 September 1996.

RESULTS, DIVIDENDS AND TRANSFERS TO RESERVES

The pre tax profits for the period are £419,225 (1996: £394,062). The profit after taxation amounting to £279,864 (1996: £113,429) has been transferred to reserves.

The Directors do not recommend the payment of a dividend (1996: £Nil).

DIRECTORS

The Directors of the Company at 30 September 1996 were as follows:

Mr G J Parrott
Mr R C Hall

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

	Granada Group PLC			Forte Plc	
	Number as at 30.09.96			Number as at 1.2.96 or date of appointment where later	
	25p ord. <u>shares</u>	share <u>options</u>	Exercised during <u>the year</u>	25p ord. <u>shares</u>	share <u>options</u>
Mr R C Hall	-	17,107	-	63	3,834

**DIRECTORS' REPORT FOR THE EIGHT MONTHS ENDED
30 SEPTEMBER 1996 (CONTINUED)**

DIRECTORS' INTERESTS (contd)

During the period ended 30 September 1996, 15,000 Granada Group PLC options were granted to Mr R C Hall (1996: Nil) under the executive option scheme at a price of 8.595p.

The mid-market closing price of ordinary shares in the company on 30 September 1996 was 856.5p and the range of mid-market closing prices during the year then ended was 705p to 892p.

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.

ELECTIVE RESOLUTIONS

The Company has passed Elective Resolution 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.

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: 18 MARCH 1997

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

We have audited the financial statements on pages 5 to 13 which have been prepared on the basis of the accounting policies set out on page 9.

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 1996 and of its profit for the eight months then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants
and Registered Auditors
Bristol

18 March 1997

THE EXCELSIOR INSURANCE COMPANY LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE EIGHT MONTHS ENDED 30 SEPTEMBER 1996**

Technical Account - General Business

	<u>Notes</u>	<u>8 months to 30.09.96 £</u>	<u>12 months to 31.01.96 £</u>
Earned premiums, net of reinsurance		<u>-</u>	<u>-</u>
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		1,999,812	1,641,839
- reinsurers' share		<u>-</u>	<u>-</u>
		<u>1,999,812</u>	<u>1,641,839</u>
Change in the provision for claims			
- gross amount		(2,519,534)	(1,235,568)
- reinsurers' share		<u>445,566</u>	<u>(156,670)</u>
		<u>(2,073,968)</u>	<u>(1,392,238)</u>
Claims incurred, net of reinsurance	2	<u>(74,156)</u>	<u>249,601</u>
Operating expenses - administrative expenses	2	<u>35,559</u>	<u>93,013</u>
Balance on the technical account for general business	2	<u>38,597</u>	<u>(342,614)</u>

The notes on pages 9 to 13 form part of these financial statements

THE EXCELSIOR INSURANCE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE EIGHT MONTHS ENDED 30 SEPTEMBER 1996

Non-Technical Account

	<u>Notes</u>	<u>8 months to 30.09.96 £</u>	<u>12 months to 31.01.96 £</u>
Balance on the general business technical account		38,597	(342,614)
Investment income	4	380,628	736,676
Profit on ordinary activities before tax		<u>419,225</u>	<u>394,062</u>
Tax on profit on ordinary activities	7	(139,361)	(280,633)
Retained profit for the period		<u>279,864</u>	<u>113,429</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 9 to 13 form part of these financial statements

THE EXCELSIOR INSURANCE COMPANY LIMITED

**BALANCE SHEET
AS AT 30 SEPTEMBER 1996**

	<u>Notes</u>	<u>As at 30.09.96 £</u>	<u>As at 31.01.96 £</u>
ASSETS			
Investments			
Deposits with credit institutions		<u>8,815,618</u>	<u>10,191,439</u>
Reinsurers' share of technical provisions			
Claims outstanding		<u>381,042</u>	<u>826,608</u>
Debtors			
Debtors arising out of direct insurance operations			
- intermediaries		176,657	303,598
Amounts owed by parent undertaking		101,000	101,000
Deferred tax asset	9	<u>144,233</u>	<u>108,013</u>
		<u>421,890</u>	<u>512,611</u>
Other assets			
Cash at bank and in hand		<u>77,080</u>	<u>-</u>
Prepayments and accrued income			
Accrued interest		<u>82,661</u>	<u>152,594</u>
Total Assets		<u>9,778,291</u>	<u>11,683,252</u>

The notes on pages 9 to 13 form part of these financial statements

THE EXCELSIOR INSURANCE COMPANY LIMITED

BALANCE SHEET
AS AT 30 SEPTEMBER 1996

	<u>Notes</u>	<u>As at</u> <u>30.09.96</u> <u>£</u>	<u>As at</u> <u>31.01.96</u> <u>£</u>
LIABILITIES			
Capital and reserves			
Called up share capital	8	3,500,000	3,500,000
Profit and loss account	11	(291,880)	(571,744)
Shareholders funds - equity interests		<u>3,208,120</u>	<u>2,928,256</u>
Technical provisions			
Claims outstanding	2	<u>5,346,927</u>	<u>7,866,461</u>
Creditors			
Creditors arising out of direct insurance operations		141,189	1,450
Amounts owed to credit institutions	12	-	4,160
Other creditors including tax and social security	10	<u>1,059,722</u>	<u>849,595</u>
		<u>1,200,911</u>	<u>855,205</u>
Accruals and deferred income			
		<u>22,333</u>	<u>33,330</u>
Total Liabilities			
		<u>9,778,291</u>	<u>11,683,252</u>

APPROVED ON BEHALF OF THE BOARD ON 18 MARCH 1997 BY



R C HALL
DIRECTOR

The notes on pages 9 to 13 form part of these financial statements

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 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.

The financial statements have been prepared in accordance with applicable accounting standards and with the Guidance on Accounting for Insurance Business issued by the Association of British Insurers in December 1995.

(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) 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.

(f) Deferred Tax

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

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1996 (CONTINUED)

2 SEGMENTAL ANALYSIS

Gross claims incurred and operating expenses

	<u>Gross claims incurred</u>		<u>Operating expenses</u>	
	8 months to 30.09.96	12 months to 31.01.96	8 months to 30.09.96	12 months to 31.01.96
	£	£	£	£
Direct insurance				
Accident and health	-	-	-	-
Motor	(253,342)	95,330	6,753	35,525
Fire and other damage to property	22,398	13,332	204	4,968
Third party liability	(293,778)	296,752	28,602	52,201
Miscellaneous	<u>5,000</u>	<u>857</u>	-	<u>319</u>
	<u>(519,722)</u>	<u>406,271</u>	<u>35,559</u>	<u>93,013</u>

Other segmental information

	<u>Reinsurance balance</u>		<u>Balance on the technical account</u>		<u>Gross technical provisions</u>	
	8 months to 30.09.96	12 months to 31.01.96	8 months to 30.09.96	12 months to 31.01.96	As at 30.09.96	As at 31.01.96
	£	£	£	£	£	£
Direct insurance						
Accident and health	-	-	-	-	1,890	1,890
Motor	-	-	246,589	(130,855)	240,076	873,299
Fire and other damage to property	-	-	(22,602)	(18,300)	12,905	1,995
Third party liability	445,566	(156,670)	(180,390)	(192,283)	5,082,056	6,984,277
Miscellaneous	-	-	(5,000)	(1,176)	<u>10,000</u>	<u>5,000</u>
	<u>445,566</u>	<u>(156,670)</u>	<u>38,597</u>	<u>(342,614)</u>	<u>5,346,927</u>	<u>7,866,461</u>

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

	8 months to 30.09.96	12 months to 31.01.96
	£	£
Direct insurance		
Accident and health	-	-
Motor		
- third party liability	(137,840)	(119,955)
- other	(115,502)	24,625
Fire and other damage to property	22,398	(13,332)
Third party liability	151,788	(140,082)
Miscellaneous	<u>5,000</u>	<u>(857)</u>
Release of over provision of prior year's outstanding claims	<u>(74,156)</u>	<u>(249,601)</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.

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1996 (CONTINUED)

4 INVESTMENT RETURN SUMMARY

	8 months to 30.09.96 £	12 months to 31.01.96 £
Investment income		
Losses on the realisation of investments	-	(32,466)
Income from short term deposits	380,628	769,142
Total investment return	380,628	736,676

5 AUDITORS' REMUNERATION

The remuneration and expenses of the auditors for the audit of the accounts amounted to £5,333 (1996: £10,000).

6 STAFF COSTS

The Company employed no staff during the eight months ended 30 September 1996 (1996: Nil). As in the prior year, none of the Company's Directors received any emoluments in respect of their services to the Company.

7 TAXATION

	8 months to 30.09.96 £	12 months to 31.01.96 £
Current year:		
- UK Corporation tax charge at 33% (1996: 33%)	(175,581)	81,737
- Deferred taxation (note 9)	36,220	(362,370)
	<u>(139,361)</u>	<u>(280,633)</u>

8 SHARE CAPITAL

	As at 30.09.96 £	As at 31.01.96 £
Authorised: Ordinary Shares of £1 each	4,000,000	4,000,000
Issued and fully paid: Ordinary Shares of £1 each	3,500,000	3,500,000

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1996 (CONTINUED)

9 DEFERRED TAXATION

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

As at 30.09.96		As at 31.01.96	
Provided £	Not Provided £	Provided £	Not Provided £
144,233	-	108,013	-

The short term timing difference as at 30 September 1996 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 30.09.96 £	As at 31.01.96 £
Corporation tax	245,950	35,823
Amounts owed to parent undertaking	813,772	813,772
	<u>1,059,722</u>	<u>849,595</u>

11 PROFIT AND LOSS ACCOUNT

	£
Balance at 1 February 1996	(571,744)
Retained profit for the period	279,864
	<u>(291,880)</u>
Balance at 30 September 1996	

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1996 (CONTINUED)

12 BORROWINGS

Bank borrowings and other loans are as follows:

	As at 30.09.96 £	As at 31.01.96 £
Amounts owed to credit institutions, repayable otherwise than by instalments:		
Within one year on demand	-	4,160
	<u>-</u>	<u>4,160</u>
	<u>-</u>	<u>4,160</u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	As at 30.09.96 £	As at 31.01.96 £
Profit for the period	279,864	113,429
Net additions to shareholder's funds	279,864	113,429
Opening shareholder's funds	2,928,256	2,814,827
Closing shareholder's funds	3,208,120	2,928,256

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