

RWS AGENCY LIMITED

FINANCIAL STATEMENTS

31ST DECEMBER 2005

COMPANY REGISTRATION NUMBER: 748587



## DIRECTORS' REPORT

The directors are pleased to submit their report and the audited financial statements for the year ended 31st December 2005

## REVIEW OF BUSINESS

The Company did not trade during the year.

## RESULTS AND DIVIDENDS

The result for the financial year amounted to £nil (2004: loss £2,628). The directors do not recommend the payment of a dividend (2004 :£nil).

## DIRECTORS

The following have been directors during the period from 1st January 2005 to the date of this report,

- \* A J Gibson (Resigned 24 June 2005)
- \* I W J Patrick (Appointed 24 June 2005, Resigned 31 March 2006)
- \* C D Hill (Appointed 24 June 2005)
  
- \* Director of the ultimate holding company, Highway Insurance Holdings Plc.

The interests of the directors at 31st December 2005 in the share capital of the ultimate holding company are shown in the accounts of that company.

## AUDITORS

A resolution for the reappointment of KPMG Audit Plc as auditors will be presented at the forthcoming Annual General Meeting of the Company.

By Order of the Board



Philip Lampshire  
Secretary

Highway House  
171 Kings Road  
Brentwood  
Essex CM14 4EJ

25th May 2006

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS'  
REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RWS AGENCY LIMITED**

We have audited the financial statements of RWS Agency Limited for the year ended 31 December 2005 which comprise the Profit and Loss account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As described in the statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

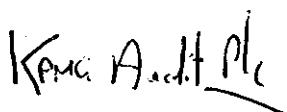
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its result for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc  
Chartered Accountants & Registered Auditor  
8 Salisbury Square  
London  
EC4Y 8BB  
25th May 2006

## PROFIT AND LOSS ACCOUNT

Year to 31st December 2005

	Note	2005 £	2004 £
<b>TURNOVER</b>		-	-
Operating expenses		-	-
<b>OPERATING LOSS</b>		-	-
Amounts written off investments		-	2,628
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	-	(2,628)
Taxation on loss on ordinary activities	6	-	-
<b>LOSS FOR THE FINANCIAL YEAR</b>		-	(2,628)
Retained loss at beginning of the year		<u>(6,286,714)</u>	<u>(6,284,086)</u>
<b>RETAINED LOSS AT THE END OF THE YEAR</b>		<u>(6,286,714)</u>	<u>(6,286,714)</u>

All activities derive from continuing operations. There are no recognised gains or losses or movements in shareholders' funds other than the loss for the financial year. Accordingly, no statement of recognised gains and losses is given.

The movement in shareholder's funds is shown in note 11.

**BALANCE SHEET**

As at 31st December 2005

	Note	2005 £	2004 £
<b>FIXED ASSETS</b>			
Investments	7	99,902	99,902
<b>CURRENT ASSETS</b>			
Debtors	8	43,695	43,695
Creditors - amounts falling due within one year	9	(6,180,311)	(6,180,311)
<b>NET CURRENT LIABILITIES</b>		<u>(6,136,616)</u>	<u>(6,136,616)</u>
<b>NET LIABILITIES</b>		<u>(6,036,714)</u>	<u>(6,036,714)</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	10	250,000	250,000
Profit and loss account		(6,286,714)	(6,286,714)
<b>TOTAL SHAREHOLDER'S DEFICIT - EQUITY</b>	11	<u>(6,036,714)</u>	<u>(6,036,714)</u>

These financial statements were approved by the board and signed on the 25th May 2006 by:



C D Hill  
Director

## NOTES TO THE FINANCIAL STATEMENTS

**1. GOING CONCERN**

The financial statements have been prepared on a going concern basis because the directors have received a letter of support from SLA Holdings Ltd confirming that this company will ensure that the company has sufficient funds for it to continue to meet its liabilities as they fall due.

**2. ACCOUNTING POLICIES****Basis of Preparation**

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost accounting rules.

**Cash Flow Statement**

Under Financial Reporting Standard Number 1, Cash Flow Statements, the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

**Investment income**

Investment income is accounted for on a receivable basis, including, where appropriate, the imputed tax credit. Dividends are recognised on the date on which the stock goes ex-dividend. Interest income is accrued up to the balance sheet date.

**Investments**

Investments in subsidiary undertakings are accounted for on an equity basis and are stated at cost less amounts written off where the directors consider there has been a permanent diminution in value.

**Group accounts**

The Company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

**Taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

**3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

Auditors' remuneration is borne by the ultimate holding company.

**4. REMUNERATION OF DIRECTOR**

The directors received no emoluments for their services to the Company (2004 : £Nil).

**5. STAFF NUMBERS**

The Company has no employees (2004 : Nil).

## NOTES TO THE FINANCIAL STATEMENTS - continued

## 6. TAXATION ON LOSS ON ORDINARY ACTIVITIES

	2005 £	2004 £
<b>a) UK Corporation tax</b>		
Current tax on income for the period	-	-
Adjustments in respect of prior periods	-	-
Tax on loss on ordinary activities	-	-
<b>b) Factors affecting tax charge for the current period:</b>		
	2005 £	2004 £
Loss on ordinary activities before tax	-	(2,628)
Current tax @ 30% (2004: 30%)	-	(788)
Effects of:		
Losses attributable to disposal of investments	-	788
Total current tax charge	-	-

## 7. FIXED ASSETS - INVESTMENTS

	2005 £	2004 £
<b>Investments at cost :</b>		
At 1st January	99,902	1,260,308
Addition	-	-
Disposal	-	(1,160,406)
At 31st December	99,902	99,902
<b>Provision against investments :</b>		
At 1st January	-	(907,778)
Addition	-	-
Disposal	-	907,778
At 31st December	-	-
<b>Net book value :</b>		
At 31st December	99,902	99,902

Investments at 31st December 2005 comprise a 100% shareholding in Stafford Run-off Agency Limited which is registered in England and Wales:



## NOTES TO THE FINANCIAL STATEMENTS - continued

## 8. DEBTORS

	2005 £	2004 £
Amounts owed from fellow parent undertakings	43,695	43,695
	<u>43,695</u>	<u>43,695</u>

## 9. CREDITORS - amounts falling due within one year

	2005 £	2004 £
Amounts due to parent undertaking	6,080,409	6,080,409
Amounts due to subsidiary undertaking	99,902	99,902
	<u>6,180,311</u>	<u>6,180,311</u>

SLA Holdings Limited has agreed not to demand repayment of the amounts due to that company by the Company within the next 12 months.

## 10. CALLED-UP SHARE CAPITAL

	2005 £	2004 £
Authorised, allotted, issued and fully paid:		
60 'A' ordinary shares of £1 each	60	60
30 'B' ordinary shares of £1 each	30	30
249,900 ordinary shares of £1 each	249,900	249,900
1,000 special ordinary shares of 1p each	10	10
	<u>250,000</u>	<u>250,000</u>

The holders of the ordinary and special ordinary shares are not entitled to vote. The 'A' and 'B' and special ordinary shares are not entitled to any dividend payment.

## 11. MOVEMENTS IN SHAREHOLDER'S FUNDS

	2005 £	2004 £
Shareholder's deficit at the beginning of the year	(6,036,714)	(6,034,086)
Retained loss for the year	-	(2,628)
	<u>(6,036,714)</u>	<u>(6,036,714)</u>

## 12. LITIGATION

The Litigation in relation to Syndicates 134, 184, 317 and 421 has been inactive.

There remains a possibility that a small minority of Names who did not accept the Lloyd's Settlement Offer decide to pursue litigation against the Company. Nonetheless the Directors consider that the likelihood of any residual litigation having a material adverse effect on the financial position of the Company is minimal.

## NOTES TO THE FINANCIAL STATEMENTS - continued

**13. RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption in Financial Reporting Standard 8(3) from disclosure of related party transactions with other entities included in the consolidated financial statements of Highway Insurance Holdings Plc.

**14. ULTIMATE AND IMMEDIATE PARENT UNDERTAKINGS**

The Company's immediate parent undertaking is SLA Holdings Limited, a company registered in England and Wales. The ultimate holding company and the smallest and largest holding company for which the group accounts are prepared, is Highway Insurance Holdings Plc, a company registered in England and Wales. Copies of that company's financial statements may be obtained from Highway House, 171 Kings Road, Brentwood, Essex CM14 4EJ.