

RWS AGENCY LIMITED

FINANCIAL STATEMENTS

31ST DECEMBER 2004

COMPANY REGISTRATION NUMBER: 748587



DIRECTOR'S REPORT

The director is pleased to submit the report and the audited financial statements for the year to 31st December 2004

REVIEW OF BUSINESS

The Company did not trade during the year.

RESULTS AND DIVIDENDS

The loss after taxation for the financial year amounted to £2,628 (2003: profit £1,762,076). The director does not recommend the payment of a dividend (2003 : nil).

DIRECTOR

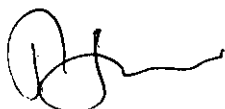
Mr A J Gibson has been the director from 1st January 2004 to the date of this report and is also a director of the ultimate holding company, Highway Insurance Holdings PLC.

The interests of the director at 31st December 2004 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

7th January 2005

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

Company law requires the director 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 for that period. In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF RWS AGENCY LIMITED

We have audited the financial statements on pages 4 to 9.

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

The director is responsible for preparing the director's report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the director's report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

Basis of audit 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 31st December 2004 and of its loss 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
7th January 2005

PROFIT AND LOSS ACCOUNT

Year to 31st December 2004

| | Note | 2004 £ | 2003 £ |
|---|------|-------------|-------------|
| TURNOVER | | - | - |
| Operating expenses | | - | - |
| OPERATING LOSS | | - | - |
| Amounts written off investments | | 2,628 | - |
| LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION | | (2,628) | - |
| Income from shares in group undertakings | 6 | - | 1,762,076 |
| Other interest receivable and similar income | | - | - |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 2 | (2,628) | 1,762,076 |
| Taxation on (loss)/profit on ordinary activities | 7 | - | - |
| (LOSS)/PROFIT FOR THE FINANCIAL YEAR | | (2,628) | 1,762,076 |
| Retained loss at beginning of the year | | (6,284,086) | (8,046,162) |
| RETAINED LOSS AT THE END OF THE YEAR | | (6,286,714) | (6,284,086) |

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 12.

BALANCE SHEET

As at 31st December 2004

| | Note | 2004 £ | 2003 £ |
|---|------|-------------|-------------|
| FIXED ASSETS | | | |
| Investments | 8 | 99,902 | 352,530 |
| CURRENT ASSETS | | | |
| Debtors | 9 | 43,695 | 43,695 |
| Creditors - amounts falling due within one year | 10 | (6,180,311) | (6,430,311) |
| NET CURRENT LIABILITIES | | (6,136,616) | (6,386,616) |
| NET LIABILITIES | | (6,036,714) | (6,034,086) |
| CAPITAL AND RESERVES | | | |
| Called-up share capital | 11 | 250,000 | 250,000 |
| Profit and loss account | | (6,286,714) | (6,284,086) |
| TOTAL SHAREHOLDER'S DEFICIT - EQUITY | 12 | (6,036,714) | (6,034,086) |

These financial statements were approved by the board of directors and signed on its behalf on 7th January 2005 by:



A J Gibson
Director

NOTES TO THE FINANCIAL STATEMENTS

1. 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.

2. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Auditors' remuneration is borne by the ultimate holding company.

3. REMUNERATION OF DIRECTOR

The director received no emoluments for his services to the Company (2003 : £Nil).

4. STAFF NUMBERS

The Company has no employees (2003 : Nil).

5. LIQUIDATION OF SUBSIDIARY UNDERTAKINGS

At a board meeting held on the 28th January 2004 a special resolution was passed putting SLA Mem D Limited and Stoxman Limited into Members' Voluntary Liquidation.

As a result of the winding up of the above companies RWS Agency Limited incurred a loss of £2,628 this being the excess of the net book value of the investments of £252,628 over the net assets of the companies of £250,000.

NOTES TO THE FINANCIAL STATEMENTS - continued

6. INCOME FROM SHARES IN GROUP UNDERTAKINGS

| | 2004 £ | 2003 £ |
|--------------------|-----------|------------------|
| Dividends received | - | 1,762,076 |
| | <u>-</u> | <u>1,762,076</u> |

7. TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

| a) UK Corporation tax | 2004 £ | 2003 £ |
|---|-----------|-----------|
| Current tax on income for the period | - | - |
| Adjustments in respect of prior periods | - | - |
| Tax on (loss)/profit on ordinary activities | <u>-</u> | <u>-</u> |

b) Factors affecting tax charge for the current period:

| | 2004 £ | 2003 £ |
|---|-----------|-----------|
| (Loss)/profit on ordinary activities before tax | (2,628) | 1,762,076 |
| Current tax @ 30% (2003: 30%) | (788) | 528,623 |
| Effects of: | | |
| Income not taxed | - | (528,623) |
| Losses attributable to disposal of investments | 788 | - |
| Total current tax charge | <u>-</u> | <u>-</u> |

8. FIXED ASSETS - INVESTMENTS

| | 2004 £ | 2003 £ |
|--|---------------|------------------|
| Investments at cost : | | |
| At 1st January | 1,260,308 | 352,530 |
| Addition | - | 907,778 |
| Disposal | (1,160,406) | - |
| At 31st December | <u>99,902</u> | <u>1,260,308</u> |
| Provision against investments : | | |
| At 1st January | (907,778) | - |
| Addition | - | (907,778) |
| Disposal | 907,778 | - |
| At 31st December | <u>-</u> | <u>(907,778)</u> |
| | £ | £ |
| Net book value : | | |
| At 31st December | <u>99,902</u> | <u>352,530</u> |

Investments at 31st December 2004 comprise a 100% shareholding in each of the following undertakings, which are all registered in England and Wales:

Stafford Run-off Agency Limited

NOTES TO THE FINANCIAL STATEMENTS - continued

9. DEBTORS

| | 2004 £ | 2003 £ |
|--------------------------------------|---------------|---------------|
| Amounts owed from group undertakings | 43,695 | 43,695 |
| | <u>43,695</u> | <u>43,695</u> |

10. CREDITORS - amounts falling due within one year

| | 2004 £ | 2003 £ |
|--|------------------|------------------|
| Amounts due to subsidiary undertakings | 6,180,311 | 6,430,311 |
| | <u>6,180,311</u> | <u>6,430,311</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.

11. CALLED-UP SHARE CAPITAL

| | 2004 £ | 2003 £ |
|--|----------------|----------------|
| 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 participate in any dividend payment.

12. MOVEMENTS IN SHAREHOLDER'S FUNDS

| | 2004 £ | 2003 £ |
|--|--------------------|--------------------|
| Shareholder's deficit at the beginning of the year | (6,034,086) | (7,796,162) |
| Retained (loss)/profit for the year | (2,628) | 1,762,076 |
| | <u>(6,036,714)</u> | <u>(6,034,086)</u> |

13. 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 Director considers 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

14. 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.

15. 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.

The directors of the holding company have indicated their willingness to offer financial support as necessary to enable the Company to meet its obligations as they fall due.