

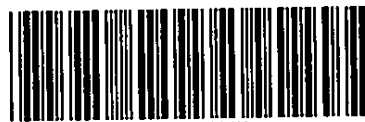
COMPANY REGISTRATION NUMBER 0002998217

HIGHWAY INSURANCE GROUP LIMITED

**REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2013

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HIGHWAY INSURANCE GROUP LIMITED
REPORT AND FINANCIAL STATEMENTS 2013

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HIGHWAY INSURANCE GROUP LIMITED

DIRECTORS, OFFICERS AND REGISTERED OFFICE

Directors

P M Bunker

S V Castle

J B O'Roarke

M J Rogers

P W Moore

R A Warner

S R Haynes

W M Mayall

S C Fernandes

P A Horton

Resigned 31 December 2013

Company secretary

R S Small

P B Cassidy

Appointed 1 January 2013

Resigned 1 January 2013

Registered office

County Gates

Bournemouth

BH1 2NF

Tel 01202 292333

Fax 01202 751825

STRATEGIC REPORT

The Directors present their annual report and the financial statements of Highway Insurance Group Limited (the 'Company', 'HIG') for the year to 31 December 2013

1. Results and dividends

The loss for the year was £1,000 (2012 £53,000) as set out on page 5 The Directors proposed and paid no dividends in the current year (2012 £nil)

2. Principal activities

The Company acts as a holding company for the Highway Insurance Company Limited (HICO)

3 Business review and developments

(a) Strategy

The strategy of the Board is to liquidate the Company as soon as practical

(b) Principal risks and uncertainties

Given the nature of the operations the Directors do not consider there are any significant risks and uncertainties facing the Company

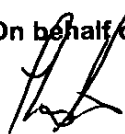
(c) Key performance indicators

As the Company does not trade and does not have any performance indicators the Board do not consider it appropriate to report key performance indicators

(d) Significant post statement of financial position events

There have been no events affecting the Company since the statement of financial position date

On behalf of the Board of Directors



S V Castle
Director

28 March 2014

DIRECTORS' REPORT

As permitted by section 414C(11) of the Companies Act 2006, certain information is not included in the Directors' Report because it has instead been shown in the Strategic Report. This information is

- Results and dividends,
- Principal activities of the Company,
- Business review and future prospects,
- Principal risks and uncertainties

1. Directors and their interests

The present members of the Board and the members who were in office during the year and up to the date of signing the financial statements are listed on page 1

2. Parent company

The Company is a wholly owned subsidiary of Liverpool Victoria Insurance Company Limited (LVIC). The ultimate parent company is Liverpool Victoria Friendly Society Limited ('LVFS'), a friendly society incorporated under the Friendly Societies Act 1992.

3. Employees

The Company did not directly employ any staff, instead it utilised the staff and premises of LVFS in carrying out its activities in 2013.

4. Directors' indemnity statement

The Directors have the benefit of an indemnity which constitutes a "qualifying third party indemnity provision" as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. LVFS also purchased and maintained throughout the financial year on behalf of its subsidiaries Directors' and Officers' liability insurance in respect of HIG and its Directors. It is available for inspection at the registered office of HIG details of which are provided on page 1.

5. Directors' responsibilities statement

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 prepared the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 judgements and estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the European Union 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.

DIRECTORS' REPORT

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors and signed by order of the Board



R S Small
Company Secretary

28 March 2014

HIGHWAY INSURANCE GROUP LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 £000	2012 £000
Other operating and administrative expenses	5	-	(69)
Loss before tax		-	(69)
Income tax (expense)/credit	7	(1)	16
Loss for the year		(1)	(53)
Total comprehensive loss for the year		(1)	(53)

The notes on pages 10 to 16 are an integral part of the financial statements

HIGHWAY INSURANCE GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

Attributable to equity holders of the Company

		Share capital	Share premium	Capital reserve	Retained earnings	Total equity
	Note	£000	£000	£000	£000	£000
Balance at 1 January 2013		41,756	20,471	144,000	25,501	231,728
Loss for the year	16	-	-	-	(1)	(1)
Balance at 31 December 2013		41,756	20,471	144,000	25,500	231,727

Attributable to equity holders of the Company

		Share capital	Share premium	Capital reserve	Retained earnings	Total equity
	Note	£000	£000	£000	£000	£000
Balance at 1 January 2012		41,756	20,471	144,000	25,554	231,781
Profit for the year	16	-	-	-	(53)	(53)
Balance at 31 December 2012		41,756	20,471	144,000	25,501	231,728

The notes on pages 10 to 16 are an integral part of the financial statements

HIGHWAY INSURANCE GROUP LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	2013 £000	2012 £000
Assets			
Investments in group undertakings	8	263,510	263,510
Deferred tax asset	9	4	6
Current tax asset	10	1	19
Cash and cash equivalents	11	7	7
Total assets		263,522	263,542
Liabilities			
Trade and other payables	12	31,795	31,814
Total liabilities		31,795	31,814
Equity			
Share capital	13	41,756	41,756
Share premium	14	20,471	20,471
Capital reserve	15	144,000	144,000
Retained earnings	16	25,500	25,501
Total equity		231,727	231,728
Total liabilities and equity		263,522	263,542

The notes on pages 10 to 16 are an integral part of the financial statements

Audit exemption statement

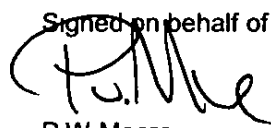
For the year ended 31 December 2013 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies

Directors' responsibilities:

- The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476, and
- The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts

These financial statements were approved by the Board of Directors on 28 March 2014

Signed on behalf of the Board of Directors



P W Moore
Director

HIGHWAY INSURANCE GROUP LIMITED**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Note	2013 £000	2012 £000
Cash and cash equivalents at 1 January	11	7	11
Cash flows arising from:			
Operating activities			
Cash (used in) / generated from operating activities	17	(19)	15
Group relief received / (paid)	10	19	(19)
Net cash flows used in operating activities		-	(4)
Net decrease in cash and cash equivalents		-	(4)
Cash and cash equivalents at 31 December	11	7	7

The notes on pages 10 to 16 are an integral part of the financial statements

HIGHWAY INSURANCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. General information

The Company is a holding company for HICO. The Company is limited by shares, domiciled and incorporated in the United Kingdom.

2. Basis of presentation

The Company's financial statements conform with International Financial Reporting Standards ("IFRS"), as endorsed by the European Union ('EU') and the International Financial Reporting Interpretations Committee ('IFRIC') and also with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings, available for sale investments, financial assets and liabilities (including derivatives) at fair value through income.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The Company has not used any significant estimates or judgements in preparing the financial statements in conformity with IFRS. The principal accounting policies adopted are listed below. These policies have been consistently applied to all years presented, unless otherwise stated.

3 Accounting policies

Income taxes

The income tax expense reflects the movement in current and deferred income tax in respect of income, gains, losses and expenses.

- Current income tax

Current income tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

- Deferred tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Investments in group undertakings

The subsidiaries are held in the Company's Statement of Financial Position at cost less any provision for impairment. An assessment of the realisable value is made at the year end and, if the Directors assess that there has been a permanent fall in that value below the carrying value, a provision is made to bring the carrying value down to the assessed realisable value.

Trade and other payables

Trade and other payables are recognised when due and include amounts due to group undertakings and accruals. They are initially recognised at fair value and subsequently held at amortised cost.

HIGHWAY INSURANCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

3. Accounting policies (continued)

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Where the Company expects some or all of a provision to be reimbursed it is recognised as a separate asset when the reimbursement is certain.

Provisions are measured at the present value of the expenditure required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, and short term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents are as defined above but are shown net of outstanding bank overdrafts.

CHANGES IN ACCOUNTING POLICIES

(i) New and amended standards adopted by the Company

The following standards have been adopted by the Company for the first time for the financial year beginning on or after 1 January 2013 and have an impact on the Company.

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' ('OCI') on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). There is no such re-classifiable item in the Company's accounts, therefore the impact on the Company is not material.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The impact on the Company is not material.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The amendment has had only a minor impact on some of the disclosures given in the Company's financial statements.

Other than as set out above, no new or amended accounting standards and interpretations were adopted for the 2013 financial year.

(ii) New standards and interpretations not yet adopted

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

HIGHWAY INSURANCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

4. Capital management

The Company maintains a capital structure from a combination of equity and borrowings, consistent with the Company's risk profile

The Company retains capital to meet three key objectives

- (i) To ensure financial stability,
- (ii) To enable the Company's strategy to be implemented, and
- (iii) To give confidence to consumers and other stakeholders who have relationships with the Company

At least annually, these objectives are reviewed and benchmarks are set by which to judge the adequacy of the Company's capital. The capital position is monitored against those benchmarks to ensure that sufficient capital is available to the Company. In the event that sufficient capital is not available, plans would be developed either to raise additional capital through, for example, subordinated loans, or to reduce the quantum of risk accepted thereby reducing the capital requirement through, for example, reinsurance or a change in investment strategy. If it becomes apparent that excess capital is available to the Company above its potential needs, plans would be developed to return such excess to shareholders.

As the Company is not regulated, there are no external capital requirements.

The Company had capital available of £231,727,000 (2012 £231,728,000), being net assets available to the Company.

5 Other operating and administrative expenses

Operating and administrative expenses include

	2013 £000	2012 £000
Other expenses	-	69
	-	69

6. Directors' emoluments

The emoluments of the Directors are paid by the ultimate parent company. The Directors are also Directors of Liverpool Victoria General Insurance Group (and a number of fellow subsidiaries) and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, the above details include no emoluments. Total emoluments for the relevant Directors are included in the aggregate of Directors' emoluments disclosed in the financial statements of Liverpool Victoria General Insurance Group.

HIGHWAY INSURANCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

7 Income tax (expense)/credit

a) Current year tax (expense)/credit

	2013 £000	2012 £000
Group relief	1	19
Total current tax	1	19
Deferred tax:		
Deferred tax charge	(2)	(3)
Total deferred tax	(2)	(3)
Total income tax (expense)/credit	(1)	16

b) Reconciliation of tax charge for year

Differences in the tax assessed for the period and the standard rate of corporation tax in the UK of 23.25% are explained below

	2013 £000	2012 £000
Loss before tax	-	(69)
Loss multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	-	17
Effects of:		
Impact of change in UK corporation tax rate on deferred tax	(1)	(1)
Total income tax (expense)/credit for the year	(1)	16

The standard rate of Corporation Tax in the UK changed from 24.0% to 23.0% with effect from 1 April 2013. Accordingly, the profits for this accounting period are taxed at an effective rate of 23.25%.

8. Investments in group undertakings

	2013 £000	2012 £000
At 1 January	263,510	263,510
At 31 December	263,510	263,510

The following were subsidiary companies throughout the year and at year end

Name	Country of incorporation	% held	Class of shares held	Nature of business
Highway Insurance Company Limited	England	100% directly held	Ordinary shares	Insurance underwriting

HIGHWAY INSURANCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

9. Deferred tax asset

	2013 £000	2012 £000
At 1 January	6	9
Current year charge	(2)	(3)
At 31 December	4	6
Analysis of deferred taxation temporary differences		
	£000	£000
Accelerated capital allowances	4	6
	4	6
Analysis of the deferred tax balance		
	£000	£000
Deferred tax asset expected to be recovered after more than 12 months	3	5
Deferred tax asset expected to be recovered within 12 months	1	1
Net deferred tax asset	4	6

The valuation and recoverability of deferred tax assets relating to capital allowances in excess of depreciation is dependent on the availability of future taxable profits within the Company. Management forecasts currently support the future recoverability of the deferred tax asset recognised in the statement of financial position as at 31 December 2013.

The calculation of deferred tax balances at the year end also takes into account the reduction in the UK main corporation tax rate to 23.0%, effective from 1 April 2013, and the two further reductions to 21.0% and 20.0% substantively enacted on 2 July 2013 that will be effective from 1 April 2014 and 1 April 2015 respectively.

10. Current tax asset

	2013 £000	2012 £000
At 1 January	19	-
Amounts recorded in the statement of comprehensive income	1	-
Group relief	(19)	19
At 31 December	1	19

11. Cash and cash equivalents

Cash and cash equivalents are fully represented by cash at bank and in hand.

12. Trade and other payables

	2013 £000	2012 £000
Amounts owed to group undertakings	31,795	31,814
	31,795	31,814

HIGHWAY INSURANCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

13. Share capital

	2013 £000	2012 £000
Ordinary shares, allotted and fully paid:		
208,780,674 (2011 208,780,674) ordinary shares of £0.20 each	41,756	41,756

14 Share premium

	2013 £000	2012 £000
Balance at 1 January and 31 December	20,471	20,471

15 Capital reserve

	2013 £000	2012 £000
Balance at 1 January	144,000	144,000
Contributions	-	-
Balance at 1 January and 31 December	144,000	144,000

These amounts are distributable in future periods, subject to the provisions of the Companies Act 2006

16. Retained earnings

	2013 £000	2012 £000
Balance at 1 January	25,501	25,554
Loss for the year	(1)	(53)
Balance at 31 December	25,500	25,501

17 Cash (used in)/generated from operating activities

	2013 £000	2012 £000
Loss before tax	-	(69)
Changes in working capital		
Decrease in provisions	-	(230)
Decrease in trade and other payables	-	(6)
(Decrease)/increase in balances due to group undertakings	(19)	320
Cash generated from/(used in) operating activities	(19)	15

HIGHWAY INSURANCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

18. Related party transactions

The Company did not enter into any transactions with its key management personnel. All transactions are carried out on an arm's length basis. Details of significant transactions carried out during the year with related parties are as follows:

Balances outstanding between the Company and LVFS

	2013 £000	2012 £000
Payable by the Company to ultimate parent	(31,795)	(31,814)
	(31,795)	(31,814)

19. Ultimate parent company

The ultimate parent company is LVFS, a UK friendly society incorporated under the Friendly Societies Act 1992.

The immediate parent company is LVIC, a limited liability company, incorporated in the UK.

Both the ultimate and immediate parent companies are registered at the below address:

The largest company whose accounts this company is consolidated into is LVFS.

The smallest company whose accounts this company is consolidated into is Liverpool Victoria General Insurance Group Limited (LVGIG).

The consolidated accounts of LVFS are available to the public and may be obtained from:

The Company Secretary
County Gates
Bournemouth
BH1 2NF

or at www.lv.com/aboutus/report