

HIGHWAY INSURANCE COMPANY LIMITED

FINANCIAL STATEMENTS

31ST DECEMBER 1999

COMPANY REGISTRATION NUMBER: 3730662



**DIRECTORS' REPORT**

The directors are pleased to submit their report and the audited financial statements for the period from incorporation on 10th March 1999 to 31st December 1999.

**REVIEW OF BUSINESS**

During the period the Company sought and received authorisation from the Financial Services Authority to carry on the business of an insurance company from 1st January 2000.

**RESULTS AND DIVIDEND**

The loss for the financial period amounted to £11,879. The directors do not recommend the payment of a dividend.

**DIRECTORS**

The following have been directors during the period from 10th March 1999 to the date of this report:

* The Lord Poole	(Chairman)	(Appointed 1st October 1999)
G Avenel		(Appointed 1st October 1999)
S R Davies		(Appointed 1st October 1999)
* A J Gibson		(Appointed 1st October 1999)
J Hill		(Appointed 10th March 1999)
		Resigned 1st October 1999)
R B M Hurley		(Appointed 1st October 1999)
J A Kellie		(Appointed 1st October 1999)
Q J Lovis		(Appointed 1st October 1999)
J M Stoker		(Appointed 1st October 1999)

\* Director of the ultimate holding company, Ockham Holdings PLC.

The interests of the directors at 31st December 1999 in the share capital of the ultimate holding company, with the exception of directors who were also directors of the ultimate holding company, whose interests are shown in the accounts of that company, were as follows:

	At 31st December 1999		On appointment	
	Ordinary 20p shares in Ockham Holdings PLC		Ordinary 20p shares in Ockham Holdings PLC	
	Holding	Options	Holding	Options
G Avenel	-	-	-	-
S R Davies	1,136	-	-	-
R B M Hurley	-	-	-	-
J A Kellie	-	-	-	-
Q J Lovis	24,544	-	24,544	-
J M Stoker	18,250	-	-	-

An award of 385,492 incentive "C" shares of £1 each in Ockham Personal Insurance Holdings PLC was made to Mr Q J Lovis in November 1996 under the Ockham Personal Insurance Holdings PLC Restricted Share Scheme. The award remained outstanding at 31st December 1999. The Scheme continues until 31st December 2000 with respect to 128,497 shares and until 31st December 2001 with respect to 256,995 shares. These dates can be extended for up to a further 2 years by the Remuneration Committee, at which time the awards may be released subject to achievement of specific targets.

## DIRECTORS' REPORT - continued

## DIRECTORS - continued

An award of 96,373 incentive "C" shares of £1 each in Ockham Personal Insurance Holdings PLC was made to Mr S R Davies in November 1996 under the Ockham Personal Insurance Holdings PLC Restricted Share Scheme. The awards remained outstanding at 31st December 1999.

The Scheme continues until 31st December 2001. This date can be extended for up to a further 2 years by the Remuneration Committee, at which time the awards may be released subject to achievement of specific targets.

On 1st March 2000 Mr S Davies purchased 1,375 Ockham Holdings PLC shares and Mr Q Lovis purchased 4,812 Ockham Holdings PLC shares.

There have been no other changes in the directors' interests between 1st January 2000 and the date of this report.

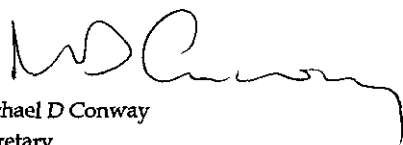
## YEAR 2000

The director considers that there is unlikely to be any negative impact as a result of the year 2000 issue. As a consequence there are no material cost implications.

## AUDITORS

Ernst & Young were appointed auditors during the period from incorporation and have expressed their willingness to continue as auditors.

By Order of the Board



Michael D Conway  
Secretary

3rd Floor  
164 Bishopsgate  
London  
EC2M 4NY

26 April 2000

**DIRECTORS' RESPONSIBILITIES**

The directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss for the financial period.

The directors consider that in preparing the financial statements on pages 4 to 7, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed. These accounts have been prepared on a going concern basis.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors 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.

**REPORT OF THE AUDITORS**

to the members of Highway Insurance Company Limited

We have audited the accounts on pages 4 to 7 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

**Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

**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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31st December 1999 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young  
London  
Registered Auditor  
26 April 2000

*Ernst & Young*

## PROFIT AND LOSS ACCOUNT

Period from  
incorporation  
on 10th March to  
31st December 1999

	Note	£
TURNOVER		-
Operating expenses	3	(11,879)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(11,879)
Taxation on loss on ordinary activities	4	3,555
RETAINED LOSS FOR THE FINANCIAL PERIOD		(8,324)

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD TO 31ST DECEMBER 1999

There were no recognised gains or losses other than the loss attributable to the shareholder of £8,324 for the period to 31st December 1999.

## BALANCE SHEET

As at 31st December 1999

	Note	£
<b>FIXED ASSETS</b>		
Investments	5	38,126,246
<b>CURRENT ASSETS</b>		
Debtors - amounts due within one year	6	3,555
Cash at bank and in hand		1,873,754
Creditors - amounts falling due within one year	7	(11,879)
<b>NET CURRENT ASSETS</b>		1,865,430
<b>NET ASSETS</b>		39,991,676
<b>CAPITAL AND RESERVES</b>		
Called-up share capital	8	40,000,000
Profit and loss account		(8,324)
<b>TOTAL SHAREHOLDER'S FUNDS - EQUITY</b>		39,991,676

Approved by the board of directors and signed on its behalf on 26 April 2000 by:

A J Gibson  
Director

## NOTES TO THE FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES

**Accounting convention**

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

**Cash Flow Statement**

In accordance with Financial Reporting Standard Number 1, Cash Flow Statements, the company is not required to prepare a cash flow statement because more than 90% of the voting rights of the Company are held within the Group and the Group's consolidated financial statements are publicly available.

**Deferred taxation**

Deferred taxation is accounted for on the liability method on timing differences to the extent that a liability is expected to crystallise within the foreseeable future or an asset is expected to be recovered out of corporation tax payable on profits of the following accounting period.

**Investments**

Investments in marketable securities are stated at their mid-market value at the balance sheet date.

## 2. DIRECTORS AND EMPLOYEES

The Company has no employees.

The directors received no emoluments for their services to the Company.

## 3. OPERATING EXPENSES

Auditors remuneration was borne by the ultimate holding company.

## 4. TAXATION

	Period from incorporation to 31st December 1999 £
UK corporation tax:	
Current year at 31.25%	3,555
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## 5. INVESTMENTS

	1999 £
Fixed interest portfolio	38,126,246
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## NOTES TO THE FINANCIAL STATEMENTS

## 6. DEBTORS - amounts falling due within one year

	1999
	£
Corporation tax	3,555

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

	1999
	£
Amounts due to Ockham Personal Insurance Holdings PLC	11,879

## 8. CALLED-UP SHARE CAPITAL

	£
Authorised:	
Ordinary £1 shares	
On 10th March 1999	1,000
On 29th November 1999	74,999,000
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	75,000,000

## Allotted, issued and fully paid:

	£
Ordinary £1 shares	
On 10th March 1999	2
On 17th December 1999	39,999,998
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	40,000,000

## 9. 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 Ockham Holdings PLC.

## 10. ULTIMATE AND IMMEDIATE PARENT UNDERTAKINGS

The Company's immediate and ultimate holding company, and the smallest and largest holding company for which group accounts are prepared, is Ockham Holdings PLC, a company registered in England and Wales. Copies of that company's financial statements can be obtained from 3rd Floor, 164 Bishopsgate, London EC2M 4NY.