



The Motor Insurance Repair Research Centre

Financial statements for the year ended 31 December 1997
together with directors' and auditors' reports

Registered number: 967763



Directors' report

For the year ended 31 December 1997

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report for the year ended 31 December 1997.

Name

The company, which is limited by guarantee, has taken advantage of the provisions in Section 30 of the Company's Act 1985 to dispense with the word "Limited" from its name.

Activities

Throughout 1997 the principal activity of the company was to continue with research into motor vehicle repair technology.

Results of the year and dividends

In 1997 the company turnover was £4,936,000 (1996: £4,540,000) which included levies amounting to £2,613,000 (1996: £2,377,000) which have been made upon members. Operating expenditure was £4,815,000 (1996: £4,692,000). This resulted in a net transfer to the accumulated fund of £14,000 (1996: £265,000 deficit).

It is not proposed to distribute any part of the accumulated fund to members.

Review of the business and future prospects

Research Programme

In continuing to meet the main aim of containing the costs of motor insurance claims, whilst ensuring standards of quality and safety for the motoring public, a challenging research programme was undertaken at the company.

Activity was in the following main areas:

The Industry Standard Times (TTS) project received a major boost during the year when the size of the engineering team was increased and working arrangements and technology enhanced in order that times for 40 models per year could be delivered in 1998 and into the future. With over 80 completed models representing 1600 vehicles on the database at the end of this year the market coverage of TTS will increase dramatically during the coming year. The Paint Project, probably the most comprehensive indepth European research into painting times for vehicles, continues. Full results are expected in late 1998.

The task of taking times data from Thatcham and processing this in a Computer Assisted Estimating System is carried out by systems houses. Two more were audited during the year which brings to 13 the number of systems houses taking times data and providing TTS based estimates to repairers and member insurers. During 1997 Standard Times (TTS) have been augmented by Thatcham Parts System (TPS) and a growing number of systems houses now take both TTS and TPS.

A new product previously under development, Thatcham Parts Analysis (TPA), has now been successfully launched and is already proving extremely popular with vehicle manufacturers. TPA offers graphic analysis of parts prices and comparison across a range of manufacturers. It also analyses price history and provides trends over time. Some

Directors' report (continued)

twelve copies of this software product have been sold in the weeks following launch. The product is particularly useful to vehicle manufacturers and member insurers.

Following on from this trend of software development, two new products were issued on CD ROM during the year. "Research for Tomorrow" was issued to member insurers and Thatcham subscribers and contains still and video clips, virtual reality and other data on the company. It also contains a Methods Manual. The Thatcham Vehicle Identification System (TVIS) was developed and trialed with the police service, and provides detailed and high resolution photographic and graphic data on visible Vehicle Identification Number (VIN). These two products are part of the development of Thatcham products, capitalising on the opportunities provided by new technology.

Traditional research on a range of projects, vehicles and processes has been conducted. Repair methodology remains central. Thus, following the impacting of a vehicle and the assessment of economic repair methodology, results are distributed to subscribers and member insurers in the form of Methods Manuals, newsletters and special reports. During the year some 12 editions of the Method Manuals were issued together with 15 editions of the newsletters.

Group Rating activity was carried out in support of Insurers Motor Committee. There has been a great deal of co-operation from manufacturers, and some 36 new models were provided for low speed (15 Kph) impact in the company's crash rig. The co-operation and collaboration with manufacturers in the development process is very important to all.

On the international front, liaison with overseas research companies has been strong. The Research Council for Automobile Repairs (RCAR) annual conference was held in Helsinki in 1997 and was attended by representatives from 20 research centres. TTS software and training packages were supplied to USA and Argentina. Vehicle Parts Price Data was supplied via CEA to European insurers and times information supplied to France. Thatcham engineers visited the main vehicle producing countries on a regular basis. The company hosted international visitors from USA, China, Europe, Australia, Japan, South Africa and Malaysia.

Revenue from research activities including vehicle security (see below) was £1,147,000 (1996: £1,010,000).

Vehicle Security

The company continued to act as a focus for the Insurance Industry Scheme. Evaluation of security systems has continued, but the number of products presented for evaluation has decreased. This is due to the downturn in aftermarket testing as the market matures and as the emphasis swings to immobilisation in new vehicles.

According to ABI data, in 1997 insurers experienced their lowest claims costs for five years. New Vehicle Security Assessments (NVSAs) increased during the year and 57 NVSAs were conducted to support the Group Rating Panel. Vehicle manufacturers have responded very well to the security challenge and vehicle immobilisation of new vehicles is having good effect at street level, and current evidence is that the bulk of theft is of vehicles in the 4 years and older category.

Directors' report (continued)

The Thatcham/VSIB helpline has proved useful and is being promoted by the Home Office, DVLA and the police service. Indeed, a new scheme in Kent uses the Thatcham listing, VSIB installers and the helpline for advice. A number of similar schemes are being planned for other parts of the country.

Liaison with Home Office, police service, manufacturers, insurers, installers and the motoring organisations is beginning to pay off and is particularly evident in a number of projects - TVIS, the CD-ROM identification system, referred to earlier, being a prime example.

Video

During 1997 the company's video team has been active in the production of promotional films, filming of high speed and 15 kph impacts and the production of a range of graphic display and photographic work. Three promotional films for Thatcham and a number of revenue earning projects were conducted. These ranged from the vehicle security for heavy goods vehicles, "The Truck Stops Here", to a very important production, "Traditional Estimating".

The work of the department has contributed greatly to the task of disseminating research data from the company and in the growing training function.

Revenue from video was £30,000 (1996: £22,000).

Publications

The number of subscribers to receive publications, methods manuals and repair times was 3,565. The profile of subscribers includes small bodyshops, many of the major approved bodyshops and independent engineers. These subscribers are committed to using Thatcham data as a standard source and the company continues to work closely to reflect subscriber needs.

Improvements to the content and presentation of methods manuals has continued and the CD ROM "Research for Tomorrow", already mentioned, was distributed to repairers and insurers to give feedback on requirements for the future.

Revenue from subscriptions and sales of publications was £714,000 (1996: £716,000).

Training

The engineer voucher scheme has proved successful with over 2,100 vouchers being issued; these can be used against a range of courses specifically developed in conjunction with Chief Motor Engineers from member companies. Over 9978 insurance engineers attended courses, making a total increase of 21% over the previous year.

A feature of all Thatcham training is the constant review and enhancement to all courses, reflecting the close relationship between the Research Centre and Thatcham Training.

The company continues to work closely with manufacturers of both equipment, product and vehicles to provide delegates with the opportunity to experience and use as extensive a range of new and innovative products as

Directors' report (continued)

possible. Close liaison has continued between Thatcham and motor manufacturers, resulting in trainers delivering training courses at the manufacturer's own sites and venues throughout the UK.

The number of repairers attending the company continues to grow, encouraged by the initiatives instigated by the marketing department. An ongoing success has been the Training Guarantee Scheme. The effectiveness of the marketing campaigns and quality of training offered is seen in the 24% increase in repairers attending the Company.

The revenue from Thatcham Training was £432,000 (1996: £415,000).

Funding

Turnover for 1997 was £4,936,000 (1996: £4,540,000). Revenue generated by the company was £2,323,000 (1996: £2,163,000), which was 47% of turnover. Members contributed a levy of £2,613,000 (1996: £2,377,000), which was 53% of turnover. The surplus transferred to the accumulated fund is £14,000. The financial statements are shown on Pages 8 to 18.

Management and Staff

A great deal has been achieved during the year and the directors thank both managers and staff for their support, commitment and dedication. All staff have performed well in changing circumstances where flexibility of approach, team working and the intelligent use of technology are key success factors. The directors believe that the Company is in good shape for 1998.

Policy for the payment of creditors

The company aims to pay the majority of creditors at the end of the month following month of invoice, and creditors with shorter terms are identified and where practical their terms take precedence.

Directors' report (continued)

Directors and their interests

The directors who served during the year are shown below:

C A C M Schrauwens (Chairman)

P Anderson

P J Dell (Resigned 14 April 1997)

M Gibbins (Resigned 7 March 1997)

M Hart (Resigned 23 April 1998)

D R Hooker

R M Jones

T Gillot (Appointed 17 April 1997, resigned 30 January 1998)

T G Sams (Appointed 17 April 1997)

R Thomson (Resigned 14 April 1997)

B Pursey (Resigned 23 April 1998)

T Morrell (Appointed 17 April 1997)

T Wilmshurst (Appointed 17 April 1997)

M C Smith

None of the directors who held office at 31 December 1997 had a beneficial interest in the company requiring disclosure under Schedule 7 of the Companies Act 1985.

Directors' responsibilities

Company law requires the directors 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 of the company for that period. 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 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 for the prevention and detection of fraud and other irregularities.

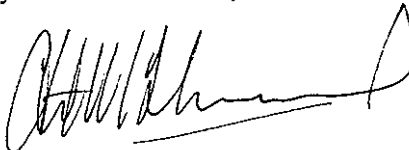
Directors' report (continued)

Auditors

During the year the directors appointed Arthur Andersen as auditors. The directors will place a resolution before the Annual General Meeting to appoint Arthur Andersen for the ensuing year.

Colthrop Lane
Thatcham
Berkshire
RG19 4NP

By order of the Board,

A handwritten signature in black ink, appearing to be 'Cees Schrauw', written over a horizontal line.

Cees Schrauw
Chairman

9 June 1998

ARTHUR ANDERSEN

Auditors' report

Reading

To the Members of The Motor Insurance Repair Research Centre:

We have audited the financial statements on pages 8 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 11 and 12.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial 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 affairs of the company at 31 December 1997 and of its surplus and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

Abbots House
Abbey Street
Reading
Berkshire
RG1 3BD

9 June 1998

Income and expenditure account

For the year ended 31 December 1997

	Note	1997 £'000 Continuing operations	1996 £'000 Continuing operations (Note 17)
Turnover			
Members' levy		2,613	2,377
Sale of publications		714	716
Sale of videos		30	22
Sale of training		432	415
Revenue from research activities		1,147	1,010
		<u>4,936</u>	<u>4,540</u>
Change in stocks and work in progress		(6)	9
		<u>4,930</u>	<u>4,549</u>
Raw materials and consumables		151	165
Staff costs	2	2,485	2,132
Depreciation		390	429
Other operating charges	3	1,789	1,966
		<u>4,815</u>	<u>4,692</u>
Surplus (deficit) from operations		115	(143)
Net interest payable	4	(101)	(122)
Surplus (deficit) transferred to (from) accumulated fund	10	<u>14</u>	<u>(265)</u>

There were no recognised gains and losses other than the surplus(deficit) for each year as shown above.

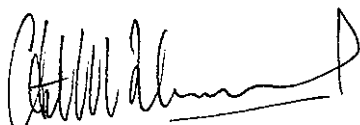
The accompanying notes are an integral part of this income and expenditure account.

Balance sheet

31 December 1997

	Note	1997 £'000	1996 £'000 (Note 17)
Fixed assets			
Tangible assets	5	<u>2,573</u>	<u>2,817</u>
Current assets			
Stocks	6	16	22
Debtors	7	809	687
Cash at bank and in hand		<u>25</u>	<u>2</u>
		850	711
Creditors: Amounts falling due within one year	8	<u>(1,047)</u>	<u>(1,181)</u>
Net current liabilities		<u>(197)</u>	<u>(470)</u>
Total assets less current liabilities		2,376	2,347
Creditors: Amounts falling due after more than one year	9	<u>(1,638)</u>	<u>(1,623)</u>
Net assets		<u>738</u>	<u>724</u>
Capital and reserves			
Accumulated fund	10	<u>738</u>	<u>724</u>

Signed on behalf of the Board



Cees Schrauw
Chairman

9 June 1998

The accompanying notes are an integral part of this balance sheet.

Cash flow statement

For the year ended 31 December 1997

	Notes	1997 £'000	1996 £'000 (Note 17)
Net cash inflow from operating activities	13	235	576
Returns on investments and servicing of finance	14	(88)	(122)
Capital expenditure and financial investment	14	<u>(100)</u>	<u>(54)</u>
Cash inflow before financing		47	400
Financing	14	<u>(24)</u>	<u>(157)</u>
Increase in cash in the year	15	<u>23</u>	<u>243</u>

The accompanying notes are an integral part of this cash flow statement.

Notes to the financial statements

1 Accounting policies

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

a) *Turnover*

Turnover represents the amount of levies received from members in respect of the year and the value of sales of publications, training and research materials, net of value added tax.

b) *Publications*

Expenditure incurred in the production of publications is written off as incurred. Income relating to those publications is taken into the income and expenditure account when the publications are despatched.

c) *Depreciation*

The amount provided in respect of tangible fixed assets is calculated by reference to the cost of the asset and its estimated life. All depreciation is calculated on a straight-line basis. The cost of freehold land is not subject to a depreciation charge.

The estimated useful lives of other assets are:

Buildings	10 to 50 years
Plant and equipment	3 to 10 years
Motor vehicles	4 years
Software	5 years

d) *Stocks*

Stocks, which include motor vehicles used for research purposes, are stated at lower of cost and net realisable value.

e) *Research and development expenditure*

Expenditure on pure and applied research is written off as incurred.

f) *Taxation*

The Department of Trade & Industry has suspended certification of Scientific Research Organisations under S508 of ICTA 1988 while the Secretary of State considers new guidelines regarding exemption from corporation tax. The directors believe that during the period of consideration previous exemptions will apply and that the company's surplus will not be subject to tax.

g) *Pensions*

The annual pension fund contribution is calculated to meet liabilities accrued by virtue of service based on regular actuarial valuations. The cost of pensions is charged to the income and expenditure account so as to recognise the expense on a systematic basis over the anticipated service lives of employees.

Notes to the financial statements (continued)

1 Accounting policies (continued)

h) Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the income and expenditure account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives. Operating lease rentals are charged against income as incurred.

2 Staff costs

Particulars of employee costs (including executive directors) are as shown below.

Employee costs during the year amounted to:

	1997 £'000	1996 £'000
Wages and salaries	2,065	1,786
Social security costs	171	159
Other pension costs	249	187
	<u>2,485</u>	<u>2,132</u>

The average monthly number of persons employed by the company during the year was as follows:

	1997 Number	1996 Number
Management	10	10
Support	12	12
Research and training	75	68
	<u>97</u>	<u>90</u>

Directors' remuneration:

Directors' remuneration was paid in respect of one director of the company as follows:

	1997 £'000	1996 £'000
Director's emoluments (including benefits in kind)	<u>70</u>	<u>80</u>

Notes to the financial statements (continued)

2 Staff costs (continued)

The number of directors who were members of pension schemes was as follows:

	1997 Number	1996 Number
Defined benefit schemes	<u>1</u>	<u>1</u>

3 Other operating charges

This item includes:

	1997 £'000	1996 £'000
(Profit) loss on disposal of tangible fixed assets	(6)	2
Operating lease rentals – land and buildings	73	56
Research and development	1,244	1,049
Auditors' remuneration – audit services	12	11
- other services	<u>5</u>	<u>-</u>

4 Interest payable and similar charges

	1997 £'000	1996 £'000
On bank overdrafts repayable within five years, not by instalments	64	92
Interest element of finance lease rentals	<u>37</u>	<u>30</u>
	<u>101</u>	<u>122</u>

Notes to the financial statements (continued)

5 Fixed assets

	Land and buildings £'000	Plant, equipment and motor vehicles £'000	Software £'000	Total £'000
Cost				
At 1 January 1997	2,878	1,932	196	5,006
Additions	-	148	-	148
Reclassification	(6)	6	-	-
Disposals	-	(14)	-	(14)
At 31 December 1997	2,872	2,072	196	5,140
Depreciation				
At 1 January 1997	622	1,452	115	2,189
Charge for the year	112	238	40	390
Reclassification	(4)	4	-	-
Disposals	-	(12)	-	(12)
At 31 December 1997	730	1,682	155	2,567
Net book value				
At 1 January 1997	2,256	480	81	2,817
At 31 December 1997	2,142	390	41	2,573

The net book amount of plant, equipment and motor vehicles includes £171,000 (1996: £296,000) of assets held under finance leases.

6 Stocks

	1997 £'000	1996 £'000
Work in progress	16	22

7 Debtors

Amounts falling due within one year

	1997 £'000	1996 £'000
Trade debtors	602	574
Prepayments and accrued income	75	113
Prepaid pension contributions	132	-
	809	687

Notes to the financial statements (continued)

8 Creditors: Amounts falling due within one year

	1997 £'000	1996 £'000
Trade creditors	313	334
Other creditors:		
- social security and PAYE	75	116
- VAT	72	51
Obligations under finance leases	183	182
Pension accrual	-	95
Accruals and deferred income	404	403
	<u>1,047</u>	<u>1,181</u>

9 Creditors: Amounts falling due after more than one year

	1997 £'000	1996 £'000
Bank loans	1,520	1,354
Obligations under finance leases	118	269
	<u>1,638</u>	<u>1,623</u>

The bank loan is secured by a mortgage over the company's property and a floating charge over the company's other assets.

Obligations under finance leases are repayable as follows:

	1997 £'000	1996 £'000
Due within 1 year	200	204
Due within 2-5 years	129	283
	<u>329</u>	<u>487</u>
Less finance charges allocated to future periods	(28)	(36)
	<u>301</u>	<u>451</u>

Notes to the financial statements (continued)

10 Capital and reserves

	1997 £'000	1996 £'000
As at 1 January 1998	724	989
Amount transferred from (to) income and expenditure account	14	(265)
As at 31 December 1998	<u>738</u>	<u>724</u>

11 Guarantees and other financial commitments

	1997 £'000	1996 £'000
	Land and buildings	Land and buildings
Operating leases which expire - in over five years	<u>108</u>	<u>56</u>

12 Pensions

The company operates the Thatcham Staff Pension and Life Assurance Scheme for the benefit of its employees. This is a defined benefit scheme the assets of which are held in separate trust administered funds. The contributions are determined by the qualified actuaries on the basis of triennial valuations using the projected unit credit method. The latest actuarial valuation of the scheme was carried out by independent actuaries as at 1 July 1997. The principal assumptions adopted were that the investment return would be 9% per annum, the salary increases would average 6.5% per annum and that pensions in payment in respect of service after 5 April 1988 would increase at the rate of 3% per annum.

In the 1997 actuarial valuation, the market value of the scheme assets was £1,983,000 and the actuarial value of the assets was sufficient to cover 102% of the benefits that had accrued to the members.

The company's pension charge for the period was £249,000 (1996: £187,000). The company has agreed to introduce LPI increases for all service with effect from April 1997.

At 31 December 1997 there was a pension contributions prepayment of £132,000 (1996: accrual £95,000).

Notes to the financial statements (continued)

13 Reconciliation of operating surplus (deficit) to operating cash flows

	1997 £'000	1996 £'000
Operating surplus (deficit)	115	(143)
Depreciation charges	390	429
(Profit) loss on sale of tangible fixed assets	(6)	2
Decrease (increase) in stocks	6	(9)
Increase in debtors	(122)	-
(Decrease) increase in creditors	(148)	297
Net cash inflow from operating activities	<u>235</u>	<u>576</u>

14 Analysis of cash flows

	1997 £'000	1996 £'000
<i>Returns on investments and servicing of finance</i>		
Interest received	1	5
Interest paid	(52)	(97)
Interest element of finance lease rentals	(37)	(30)
Net cash outflow	<u>(88)</u>	<u>(122)</u>

Capital expenditure and financial investment

Purchase of tangible fixed assets	(108)	(57)
Sale of tangible fixed assets	8	3
Net cash outflow	<u>(100)</u>	<u>(54)</u>

Financing

Increase in secured loan	166	-
Capital element of finance lease rental payments	(190)	(157)
Net cash outflow	<u>(24)</u>	<u>(157)</u>

Notes to the financial statements (continued)

15 Analysis and reconciliation of net debt

	1 January 1997 £'000	Cash flow £'000	31 December 1997 £'000
Cash in hand, at bank	2	23	25
Debt due after 1 year	(1,354)	(166)	(1,520)
Finance leases	(451)	150	(301)
Net debt	<u>(1,803)</u>	<u>7</u>	<u>(1,796)</u>

16 Major non-cash transactions

During the year the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £40,000. (1996: £200,000).

17 Prior year comparatives

The prior year comparatives were audited by a firm of Chartered Accountants other than Arthur Andersen.