

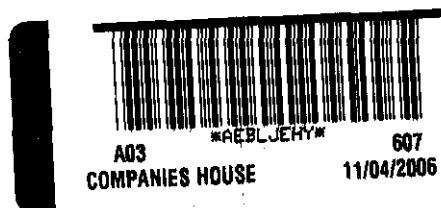
RAC MECHANICAL INSURANCE SERVICES LTD

REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

1325167



RAC MECHANICAL INSURANCE SERVICES LTD

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for the year ended 31 March 2005

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RAC MECHANICAL INSURANCE SERVICES LTD

COMPANY INFORMATION
for the year ended 31 March 2005

DIRECTORS:

D L Pinkney
F D Pinkney
P N Pinkney

SECRETARY:

D Antcliff

REGISTERED OFFICE:

Warranty House
Savile Street East
Sheffield
South Yorkshire
S4 7UQ

REGISTERED NUMBER:

1325167 (England and Wales)

AUDITORS:

C J Woodhead & Co. Ltd
Registered Auditors
158 Hemper Lane
Sheffield
South Yorkshire
S8 7FE

RAC MECHANICAL INSURANCE SERVICES LTD

REPORT OF THE DIRECTORS for the year ended 31 March 2005

The directors present their report with the financial statements of the company for the year ended 31 March 2005.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of insurance brokers, including the overall administration on behalf of insurers.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS

The total distribution of dividends for the year ended 31 March 2005 will be £800,000.

DIRECTORS

The following directors have held office during the whole of the period from 01 April 2003 to the date of this report, but did not hold any interest in the company's ordinary shares as at 01 April 2003 or 31 March 2004:

D L Pinkney
F D Pinkney
P N Pinkney

STATEMENT OF 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;
- 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 to 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.

AUDITORS

The auditors, C J Woodhead & Co. Ltd, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



.....
D Antcliff - Secretary

Date: 31-03-06
.....

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF RAC MECHANICAL INSURANCE SERVICES LTD

We have audited the financial statements of RAC Mechanical Insurance Services Ltd for the year ended 31 March 2005 on pages four to eleven. These financial statements have been prepared under the historical cost convention and 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 auditors' 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 on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Report of the Directors 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.

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

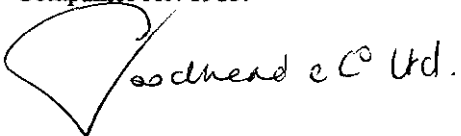
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



C J Woodhead & Co. Ltd
Registered Auditors
158 Hemper Lane
Sheffield
South Yorkshire
S8 7FE

Date: 31-03-06

RAC MECHANICAL INSURANCE SERVICES LTD

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2005

	Notes	2005 £	2004 £
TURNOVER		6,497,737	3,426,143
Cost of sales		<u>-</u>	<u>34,760</u>
GROSS PROFIT		6,497,737	3,460,903
Distribution costs		(8,586)	(9,145)
Administrative expenses		<u>(4,200,587)</u>	<u>(3,189,895)</u>
		2,288,564	261,863
Other operating income		<u>(2,369)</u>	<u>287,481</u>
OPERATING PROFIT	3	2,286,195	549,344
Interest receivable and similar income		<u>107,320</u>	<u>23,474</u>
		2,393,515	572,818
Interest payable and similar charges	4	<u>(176,593)</u>	<u>(59,144)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,216,922	513,674
Tax on profit on ordinary activities	5	<u>(674,421)</u>	<u>(160,574)</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		1,542,501	353,100
Dividends	6	<u>(800,000)</u>	<u>(280,000)</u>
RETAINED PROFIT FOR THE YEAR		<u>742,501</u>	<u>73,100</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current and previous years.

The notes form part of these financial statements

RAC MECHANICAL INSURANCE SERVICES LTD

BALANCE SHEET

31 March 2005

	Notes	2005 £	2004 £
FIXED ASSETS			
Tangible assets	7	46,940	38,234
CURRENT ASSETS			
Debtors	8	4,465,719	2,170,555
Cash at bank		<u>1,208,068</u>	<u>237,118</u>
		5,673,787	2,407,673
CREDITORS			
Amounts falling due within one year	9	<u>(3,873,045)</u>	<u>(1,340,726)</u>
NET CURRENT ASSETS		<u>1,800,742</u>	<u>1,066,947</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,847,682</u>	<u>1,105,181</u>
CAPITAL AND RESERVES			
Called up share capital	10	1,002,500	1,002,500
Profit and loss account	11	<u>845,182</u>	<u>102,681</u>
SHAREHOLDERS' FUNDS	13	<u>1,847,682</u>	<u>1,105,181</u>

ON BEHALF OF THE BOARD:

.....
F D Pinkney - Director

Approved by the Board on 31-03-06.....

The notes form part of these financial statements

RAC MECHANICAL INSURANCE SERVICES LTD

CASH FLOW STATEMENT
for the year ended 31 March 2005

	Notes	2005 £	2004 £
Net cash inflow from operating activities	1	2,062,677	251,736
Returns on investments and servicing of finance	2	(69,273)	(35,670)
Taxation		(147,332)	-
Capital expenditure	2	(27,061)	(34,965)
Equity dividends paid		<u>(800,000)</u>	<u>(280,000)</u>
		1,019,011	(98,899)
Financing	2	<u>(48,061)</u>	<u>(302,010)</u>
Increase/(Decrease) in cash in the period		<u>970,950</u>	<u>(400,909)</u>
Reconciliation of net cash flow to movement in net funds	3		
Increase/(Decrease) in cash in the period		<u>970,950</u>	<u>(400,909)</u>
Change in net funds resulting from cash flows		<u>970,950</u>	<u>(400,909)</u>
Movement in net funds in the period		970,950	(400,909)
Net funds at 1 April		<u>237,118</u>	<u>638,027</u>
Net funds at 31 March		<u>1,208,068</u>	<u>237,118</u>

The notes form part of these financial statements

RAC MECHANICAL INSURANCE SERVICES LTD

NOTES TO THE CASH FLOW STATEMENT
for the year ended 31 March 2005

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2005 £	2004 £
Operating profit	2,286,195	549,344
Depreciation charges	18,355	21,824
Profit on disposal of fixed assets	-	(2,672)
(Increase)/Decrease in debtors	(1,549,501)	1,040,331
Increase/(Decrease) in creditors	<u>1,307,628</u>	<u>(1,357,091)</u>
Net cash inflow from operating activities	<u>2,062,677</u>	<u>251,736</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2005 £	2004 £
Returns on investments and servicing of finance		
Interest received	107,320	23,474
Interest paid	<u>(176,593)</u>	<u>(59,144)</u>
Net cash outflow for returns on investments and servicing of finance	<u>(69,273)</u>	<u>(35,670)</u>
Capital expenditure		
Purchase of tangible fixed assets	(27,061)	(38,265)
Sale of tangible fixed assets	<u>-</u>	<u>3,300</u>
Net cash outflow for capital expenditure	<u>(27,061)</u>	<u>(34,965)</u>
Financing		
Loans with group companies	(41,480)	(374,019)
Amount introduced by directors	-	72,009
Amount withdrawn by directors	<u>(6,581)</u>	<u>-</u>
Net cash outflow from financing	<u>(48,061)</u>	<u>(302,010)</u>

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1/4/04 £	Cash flow £	At 31/3/05 £
Net cash:			
Cash at bank	<u>237,118</u>	<u>970,950</u>	<u>1,208,068</u>
	<u>237,118</u>	<u>970,950</u>	<u>1,208,068</u>
Total	<u>237,118</u>	<u>970,950</u>	<u>1,208,068</u>

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2005

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents insurance commission net of agent's commission after adjustment for amounts not earned in respect of claims administration. Turnover is recognised on receipt of applications for cover from customers.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery	- 25% on cost
Fixtures and fittings	- 25% on cost
Motor vehicles	- 25% on cost
Computer equipment	- 50% on cost and 25% on cost

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

2. STAFF COSTS

	Year ended 31/03/05	Year ended 31/03/04
Wages and salaries	7,206	3,533
Social security costs	1,380	5,575
Other pension costs	-	37
	<u>8,586</u>	<u>9,145</u>

The company had no employees other than its directors in the period under review.

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2005 £	2004 £
Depreciation - owned assets	18,355	21,824
Profit on disposal of fixed assets	-	(2,672)
Auditors' remuneration	<u>8,000</u>	<u>8,000</u>
Directors' emoluments	<u>-</u>	<u>-</u>

RAC MECHANICAL INSURANCE SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 March 2005

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £	2004 £
Bank interest	-	293
Funding charges	<u>176,593</u>	<u>58,851</u>
	<u>176,593</u>	<u>59,144</u>

5. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2005 £	2004 £
Current tax:		
UK corporation tax	<u>674,421</u>	<u>160,574</u>
Tax on profit on ordinary activities	<u>674,421</u>	<u>160,574</u>

6. DIVIDENDS

	2005 £	2004 £
Equity shares:		
Final	<u>800,000</u>	<u>280,000</u>

7. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST					
At 1 April 2004	1,747	34,197	54,648	43,147	133,739
Additions	-	17,800	-	9,261	27,061
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,210)</u>	<u>(23,210)</u>
At 31 March 2005	<u>1,747</u>	<u>51,997</u>	<u>54,648</u>	<u>29,198</u>	<u>137,590</u>
DEPRECIATION					
At 1 April 2004	1,416	32,542	30,903	30,644	95,505
Charge for year	138	2,925	7,703	7,589	18,355
Eliminated on disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,210)</u>	<u>(23,210)</u>
At 31 March 2005	<u>1,554</u>	<u>35,467</u>	<u>38,606</u>	<u>15,023</u>	<u>90,650</u>
NET BOOK VALUE					
At 31 March 2005	<u>193</u>	<u>16,530</u>	<u>16,042</u>	<u>14,175</u>	<u>46,940</u>
At 31 March 2004	<u>331</u>	<u>1,655</u>	<u>23,745</u>	<u>12,503</u>	<u>38,234</u>

RAC MECHANICAL INSURANCE SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS - continued **for the year ended 31 March 2005**

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£	£
Trade Debtors	2,006,379	697,769
Amounts owed by group undertakings	1,289,541	543,878
Underwriters schemes	1,101,544	928,908
VAT	255	-
Prepayments	68,000	-
	<u>4,465,719</u>	<u>2,170,555</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£	£
Trade creditors	92,467	73,346
Amounts owed to group undertakings	1,498,002	793,819
Tax	835,163	308,074
VAT	-	2,448
Other creditors	1,106,122	36,561
Directors' current accounts	65,428	72,009
Accruals & deferred income	275,863	54,469
	<u>3,873,045</u>	<u>1,340,726</u>

10. CALLED UP SHARE CAPITAL

Authorised:			2005	2004
Number:	Class:	Nominal value:	£	£
2,005,000	Ordinary	50p	<u>1,002,500</u>	<u>1,002,500</u>

Allotted and issued:			2005	2004
Number:	Class:	Nominal value:	£	£
2,005,000	Share capital 1	50p	<u>1,002,500</u>	<u>1,002,500</u>

11. RESERVES

	Profit and loss account
	£
At 1 April 2004	102,681
Retained profit for the year	<u>742,501</u>
At 31 March 2005	<u>845,182</u>

RAC MECHANICAL INSURANCE SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 March 2005

12. ULTIMATE PARENT COMPANY

The ultimate parent company at 31 March 2005 was Motorway Direct plc, a company registered in England and Wales. Copies of the accounts of Motorway Direct plc are available from the Company Secretary, Warranty House, Savile Street East, Sheffield, S4 7UQ.

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005	2004
	£	£
Profit for the financial year	1,542,501	353,100
Dividends	(800,000)	(280,000)
Transfer to acquisition reserve		
Net addition to shareholders' funds	742,501	73,100
Opening shareholders' funds	<u>1,105,181</u>	<u>1,032,081</u>
Closing shareholders' funds	<u>1,847,682</u>	<u>1,105,181</u>
Equity interests	<u>1,847,682</u>	<u>1,105,181</u>

RAC MECHANICAL INSURANCE SERVICES LTD

TRADING AND PROFIT AND LOSS ACCOUNT for the year ended 31 March 2005

	2005		2004	
	£	£	£	£
Turnover				
Commission receivable		6,497,737		3,426,143
Cost of sales				
Claims provision movement		-		(34,760)
GROSS PROFIT		6,497,737		3,460,903
Other income				
Release of marketing fund	(2,369)		287,481	
Deposit account interest	107,320		23,474	
		104,951		310,955
		6,602,688		3,771,858
Expenditure				
Wages and salaries	7,206		3,533	
Social security	1,380		5,575	
Pensions	-		37	
Sub-contract costs	-		3,414	
Irrecoverable VAT	82,735		50,106	
Management charges	2,869,000		1,920,000	
Telephone and fax	-		27	
Post, stationery and advertising	239,896		326,850	
Point of sale material	-		91,924	
Travelling and entertaining	4,599		15,530	
Motor expenses	6,837		9,678	
Training costs	10,500		6,810	
RAC royalties	410,817		230,036	
Subscriptions	1,279		1,859	
Repairs and renewals	7,362		2,480	
Computer and Software maintenance	164,594		3,066	
Sundry expenses	10,761		19,305	
Accountancy	11,900		17,910	
Legal and professional fees	134,075		108,159	
Auditors' remuneration	8,000		8,000	
Donations	1,050		300	
Bad debts	208,577		343,412	
		4,180,568		3,168,011
		2,422,120		603,847
Finance costs				
Bank charges	10,250		11,877	
Bank interest	-		293	
Funding charges	176,593		58,851	
		186,843		71,021
Carried forward		2,235,277		532,826

This page does not form part of the statutory financial statements

RAC MECHANICAL INSURANCE SERVICES LTD**TRADING AND PROFIT AND LOSS ACCOUNT**
for the year ended 31 March 2005

	2005		2004	
	£	£	£	£
Brought forward		2,235,277		532,826
Depreciation				
Plant and machinery	138		212	
Fixtures and fittings	2,925		2,700	
Motor vehicles	7,703		9,575	
Computer equipment	<u>7,589</u>		<u>9,337</u>	
		18,355		21,824
		2,216,922		511,002
Profit on disposal of fixed assets				
Motor vehicles		-		<u>2,672</u>
NET PROFIT		<u>2,216,922</u>		<u>513,674</u>

This page does not form part of the statutory financial statements