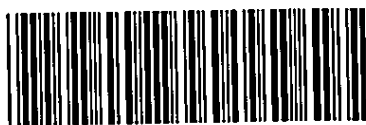


**REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2008  
FOR  
RAC MECHANICAL INSURANCE SERVICES LTD**

TUESDAY



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**RAC MECHANICAL INSURANCE SERVICES LTD**

**CONTENTS OF THE FINANCIAL STATEMENTS**  
**for the year ended 31 March 2008**

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**RAC MECHANICAL INSURANCE SERVICES LTD**

**COMPANY INFORMATION**  
for the year ended 31 March 2008

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**DIRECTORS:**

D L Pinkney  
F D Pinkney  
P N Pinkney  
D Antcliff  
S J Tennyson

**SECRETARY:**

D Antcliff

**REGISTERED OFFICE:**

1 Waterside Court  
Bold Street  
Sheffield  
South Yorkshire  
S9 2LR

**REGISTERED NUMBER:**

01325167 (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 2008**

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The directors present their report with the financial statements of the company for the year ended 31 March 2008.

#### **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.

The company's sole activity has been the sale of mechanical breakdown insurance and associated motor insurance products, using the brand RAC Warranty, under licence from RAC Motoring Services. The right to use this brand was surrendered by agreement on 31 December 2006. Consequently, there was no new business written after that date, although the company has an ongoing liability to administer claims made against insurance policies inception prior to 31 December 2006.

The principal risk affecting the company is the risk of customers cancelling existing policies, and full provision has been made in these accounts for expected cancellations after the year end.

The directors are satisfied with the performance of the business and the results for the period under review.

#### **DIVIDENDS**

No dividends will be distributed for the year ended 31 March 2008.

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 April 2007 to the date of this report.

D L Pinkney  
F D Pinkney  
P N Pinkney  
D Antcliff  
S J Tennyson

#### **COMPANY'S POLICY ON PAYMENT OF CREDITORS**

It is the company's normal practice to agree payment terms with its suppliers when it enters into binding purchase contracts. The company seeks to abide by the payment terms agreed whenever it is satisfied that the goods or services have been provided in accordance with the agreed terms and conditions. The company does not apply a standard code, which deals specifically with the payment of creditors.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

**RAC MECHANICAL INSURANCE SERVICES LTD**

**REPORT OF THE DIRECTORS**  
**for the year ended 31 March 2008**

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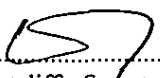
**STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued**

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.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**ON BEHALF OF THE BOARD:**

  
.....  
D Antcliff - Secretary

Date: ..... 18/05/09 .....

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

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We have audited the financial statements of RAC Mechanical Insurance Services Ltd for the year ended 31 March 2008 on pages six to seventeen. These financial statements have been prepared under 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 a Report of the Auditors 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 directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on pages two and three.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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.

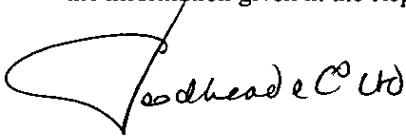
**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF  
RAC MECHANICAL INSURANCE SERVICES LTD**

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**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.



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

Date: 18<sup>th</sup> MAY 2009 .....

**RAC MECHANICAL INSURANCE SERVICES LTD****PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 March 2008**

	Notes	2008 £	2007 £
<b>TURNOVER</b>		68,868	3,563,309
Administrative expenses		(518,972)	(3,992,616)
		(450,104)	(429,307)
Other operating income		4,135	58,920
<b>OPERATING LOSS</b>	3	(445,969)	(370,387)
Cost of fundamental reorganisation	4	705,001	(931,003)
		259,032	(1,301,390)
Interest receivable and similar income		6,422	34,416
		265,454	(1,266,974)
Interest payable and similar charges	5	2,474	(319,894)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		267,928	(1,586,868)
Tax on profit/(loss) on ordinary activities	6	3,264	219,413
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION</b>		<u>271,192</u>	<u>(1,367,455)</u>

**CONTINUING OPERATIONS**

None of the company's activities were acquired or discontinued during the current and previous years, although no new business has been written by the company since December 2006.

**TOTAL RECOGNISED GAINS AND LOSSES**

The company has no recognised gains or losses other than the profit for the current year and the loss for the previous year.

The notes form part of these financial statements



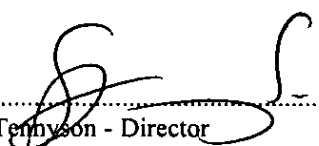
# **RAC MECHANICAL INSURANCE SERVICES LTD**

## **BALANCE SHEET**

**31 March 2008**

	Notes	2008 £	2007 £
<b>CURRENT ASSETS</b>			
Debtors	8	2,934,818	4,380,642
Cash at bank		21,801	149,127
		<u>2,956,619</u>	<u>4,529,769</u>
<b>CREDITORS</b>			
Amounts falling due within one year	9	(1,922,556)	(3,061,897)
<b>NET CURRENT ASSETS</b>		<u>1,034,063</u>	<u>1,467,872</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,034,063	1,467,872
<b>PROVISIONS FOR LIABILITIES</b>	11	(226,002)	(931,003)
<b>NET ASSETS</b>		<u>808,061</u>	<u>536,869</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	1,002,500	1,002,500
Profit and loss account	13	(194,439)	(465,631)
<b>SHAREHOLDERS' FUNDS</b>	18	<u>808,061</u>	<u>536,869</u>

The financial statements were approved by the Board of Directors on 18/05/09 and were signed on its behalf by:

  
 .....  
 S J Tennison - Director

The notes form part of these financial statements

**RAC MECHANICAL INSURANCE SERVICES LTD****CASH FLOW STATEMENT**  
**for the year ended 31 March 2008**

		2008 £	2007 £
Net cash inflow/(outflow) from operating activities	Notes 1	845,597	(337,499)
Returns on investments and servicing of finance	2	8,896	(285,478)
Taxation		-	(540,000)
Capital expenditure	2	-	24,268
Equity dividends paid		-	(215,000)
		<u>854,493</u>	<u>(1,353,709)</u>
Financing	2	<u>(978,354)</u>	<u>580,377</u>
Decrease in cash in the period		<u>(123,861)</u>	<u>(773,332)</u>
Reconciliation of net cash flow to movement in net funds	3		
Decrease in cash in the period		<u>(123,861)</u>	<u>(773,332)</u>
Change in net funds resulting from cash flows		<u>(123,861)</u>	<u>(773,332)</u>
Movement in net funds in the period		<u>(123,861)</u>	<u>(773,332)</u>
Net funds at 1 April		<u>141,892</u>	<u>915,224</u>
Net funds at 31 March		<u>18,031</u>	<u>141,892</u>

The notes form part of these financial statements

**NOTES TO THE CASH FLOW STATEMENT**  
for the year ended 31 March 2008

**1. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

	2008 £	2007 £
Operating loss	(445,969)	(370,387)
Depreciation charges	-	27,627
Loss on disposal of fixed assets	-	2,097
Decrease in debtors	1,434,595	2,657,978
Decrease in creditors	(143,029)	(2,654,814)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>845,597</b>	<b>(337,499)</b>

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

	2008 £	2007 £
<b>Returns on investments and servicing of finance</b>		
Interest received	6,422	34,416
Interest paid	2,474	(319,894)
<b>Net cash inflow/(outflow) for returns on investments and servicing of finance</b>	<b>8,896</b>	<b>(285,478)</b>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	-	(38,530)
Sale of tangible fixed assets	-	62,798
<b>Net cash inflow for capital expenditure</b>	<b>-</b>	<b>24,268</b>
<b>Financing</b>		
Loans with group companies	(953,760)	606,886
Amount introduced by directors	13,055	-
Amount withdrawn by directors	(37,649)	(26,509)
<b>Net cash (outflow)/inflow from financing</b>	<b>(978,354)</b>	<b>580,377</b>

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 2008**

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**3. ANALYSIS OF CHANGES IN NET FUNDS**

	At 1/4/07 £	Cash flow £	At 31/3/08 £
Net cash:			
Cash at bank	149,127	(127,326)	21,801
Bank overdraft	(7,235)	3,465	(3,770)
	<u>141,892</u>	<u>(123,861)</u>	<u>18,031</u>
 Total	 <u>141,892</u>	 <u>(123,861)</u>	 <u>18,031</u>

The notes form part of these financial statements

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**NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 March 2008**

**1. ACCOUNTING POLICIES**

**Accounting convention**

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

**Turnover**

Turnover represents insurance commission net of underwriting and third party commission after adjustment for amounts not earned in respect of claims administration. Turnover is recognised on the receipt of applications for cover for customers.

**Tangible fixed assets**

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

**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**

	2008 £	2007 £
Wages and salaries	-	1,007,855
Social security costs	777	88,304
	<u>777</u>	<u>1,096,159</u>

The average monthly number of employees during the year was as follows:

	2008	2007
Accounts	-	8
Administration	-	11
Claims	-	13
Customer Services	-	6
Design & IT	-	5
Operations	-	1
Sales	-	5
Underwriting	-	1
	<u>-</u>	<u>50</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 March 2008**

**3. OPERATING LOSS**

The operating loss is stated after charging:

	2008	2007
	£	£
Depreciation - owned assets	-	27,627
Loss on disposal of fixed assets	-	2,097
Auditors' remuneration	2,000	4,750
	<u>2,000</u>	<u>4,750</u>
Directors' emoluments	-	-
	<u>-</u>	<u>-</u>

**4. EXCEPTIONAL ITEMS**

The results for the year ended 31 March 2007 were stated after the inclusion of the cost of a fundamental reorganisation. This relates to a provision in relation to the ongoing costs involved in administering existing policies, as shown under note 12 to the financial statements.

The provision has been released this year to the extent that it is no longer required as a result of the expiry of live policies.

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	2008	2007
	£	£
Bank interest	-	22
Funding charges	(2,474)	319,872
	<u>(2,474)</u>	<u>319,894</u>

**6. TAXATION**

**Analysis of the tax credit**

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

	2008	2007
	£	£
Current tax:		
UK corporation tax	(3,264)	(219,413)
Tax on profit/(loss) on ordinary activities	<u>(3,264)</u>	<u>(219,413)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
for the year ended 31 March 2008

6. TAXATION - continued

**Factors affecting the tax credit**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2008 £	2007 £
Profit/(loss) on ordinary activities before tax	<u>267,928</u>	<u>(1,586,868)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2007 - 30%)	80,378	(476,060)
Effects of:		
Expenses not deductible for tax purposes	681	548
Capital allowances for period in excess of depreciation	(1,384)	7,071
Utilisation of losses surrendered by group companies	(79,675)	-
Losses carried back to previous year	-	222,677
Losses surrendered to group	-	245,764
S419 ICTA 1988 tax repayable / payable	(3,264)	3,264
Adjustments to tax charge overprovided in respect of previous periods	-	(222,677)
Current tax credit	<u>(3,264)</u>	<u>(219,413)</u>

7. DIVIDENDS

	2008 £	2007 £
Final	<u>-</u>	<u>215,000</u>

8. DEBTORS

	2008 £	2007 £
Amounts falling due within one year:		
Trade debtors	346,991	1,985,336
Amounts owed by group undertakings	1,506,780	1,504,954
Other debtors	392,551	-
Underwriters schemes	10,191	198,992
Directors' current accounts	-	13,055
	<u>2,256,513</u>	<u>3,702,337</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>678,305</u>	<u>678,305</u>
Aggregate amounts	<u>2,934,818</u>	<u>4,380,642</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
for the year ended 31 March 2008

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008	2007
	£	£
Bank loans and overdrafts (see note 10)	3,770	7,235
Trade creditors	-	3,637
Amounts owed to group undertakings	1,789,411	2,741,345
Tax	23,202	26,466
VAT	17	200
Other creditors	55,605	(11,084)
Directors' current accounts	-	37,649
Accruals & deferred income	50,551	256,449
	<u>1,922,556</u>	<u>3,061,897</u>

10. LOANS

An analysis of the maturity of loans is given below:

	2008	2007
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>3,770</u>	<u>7,235</u>

11. PROVISIONS FOR LIABILITIES

	2008	2007
	£	£
Other provisions	<u>226,002</u>	<u>931,003</u>

12. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	2008	2007
			£	£
2,005,000	Ordinary	50p	<u>1,002,500</u>	<u>1,002,500</u>
Allotted and issued:				
Number:	Class:	Nominal value:	2008	2007
			£	£
2,005,000	Ordinary	50p	<u>1,002,500</u>	<u>1,002,500</u>



**RAC MECHANICAL INSURANCE SERVICES LTD**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 March 2008**

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**13. RESERVES**

	Profit and loss account £
At 1 April 2007	(465,631)
Profit for the year	271,192
At 31 March 2008	<u>(194,439)</u>

**14. ULTIMATE PARENT COMPANY**

The ultimate parent company at 31 March 2008 was Car Protect Holdings Limited, a company registered in Gibraltar.

**15. TRANSACTIONS WITH DIRECTORS**

The following loan to directors subsisted during the years ended 31 March 2008 and 31 March 2007:

	2008 £	2007 £
<b>F D Pinkney</b>		
Balance outstanding at start of year	13,055	-
Balance outstanding at end of year	-	13,055
Maximum balance outstanding during year	<u>13,055</u>	<u>13,191</u>

**16. RELATED PARTY DISCLOSURES**

**Motorway Direct Plc**

During the year the company's parent company Motorway Direct Plc recharged £460,055 of group overheads to RAC Mechanical Insurance Services Limited and provided cash flow support in the sum of £385,000. RAC Mechanical Insurance Services Limited repaid £1,985,000 in the period, and Motorway Direct Plc received a further £386,630 of net income on behalf of the company. A balance of £154,351 was owed to Motorway Direct Plc at 31 March 2008 (2007 - £1,680,926) and is included within creditors in these accounts.

**AA Mechanical Insurance Services Limited**

During the year RAC Mechanical Insurance Services Limited collected funds totalling £949,796 and made payments totalling £352,685 on behalf of AA Mechanical Insurance Services Limited, a fellow subsidiary of Motorway Direct Plc. A total of £896,662 (2007 - £299,551) was owed to AA Mechanical Insurance Services Limited at 31 March 2008 and is included within creditors in these accounts.

**London Wall Insurance Services Limited**

During the year London Wall Insurance Services Limited, a fellow subsidiary of Motorway Direct Plc, provided cash flow support totalling £70,720 to RAC Mechanical Insurance Services Limited. In the same period RAC Mechanical Insurance Services Limited agreed an advertising and marketing credit of £93,190 with a dealer that had an ongoing business relationship with London Wall Insurance Services Ltd. This credit was assigned to London Wall Insurance Services Limited in part settlement of its inter-company loan. A total of £738,398 was owed by RAC Mechanical Insurance Services Limited at 31 March 2008 (2007 - £760,868) and is included within creditors in these accounts.

**Car Protect Limited**

Car Protect Limited, a fellow subsidiary of Motorway Direct Plc, had a liability to RAC Mechanical Insurance Services Limited in respect of cash flow support and funding provided to the company in earlier periods. £1,504,954 was owed to RAC Mechanical Insurance Services Limited as at 31 March 2008 (2007 - £1,504,954) and is included within debtors in these accounts.

**Wallside Holdings Limited**

Wallside Holdings Limited, a fellow subsidiary of Motorway Direct Plc, had a liability to RAC Mechanical Insurance Services Limited in respect of cash flow support and funding provided to the company in earlier periods. £678,305 was owed to RAC Mechanical Insurance Services Limited as at 31 March 2008 (2007 - £678,305) and is included within debtors in these accounts.

**Direct Contact Centres Limited**

During the year RAC Mechanical Insurance Services Limited paid overhead expenses totalling £1,826 on behalf of Direct Contact Centres Limited, a fellow subsidiary of Motorway Direct Plc. This amount was owed to RAC Mechanical Insurance Services Limited as at 31 March 2008 and is included within debtors in these accounts.

**CHF Accountancy Limited**

During the year the company was billed £120 excluding VAT for payroll and company secretarial services (2007 - £2,040) by CHF Accountancy Limited, a company in which the director Mr D Antcliff was a director and shareholder.

**17. ULTIMATE CONTROLLING PARTY**

The ultimate controlling party is the board of Directors of Motorway Direct Plc, a company registered in England and Wales.

**RAC MECHANICAL INSURANCE SERVICES LTD**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 March 2008**

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**18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2008	2007
	£	£
Profit/(Loss) for the financial year	271,192	(1,367,455)
Dividends	-	(215,000)
	<hr/>	<hr/>
Net addition/(reduction) to shareholders' funds	271,192	(1,582,455)
Opening shareholders' funds	536,869	2,119,324
	<hr/>	<hr/>
Closing shareholders' funds	808,061	536,869
	<hr/>	<hr/>