

HPI Limited

Directors' Report and Accounts

Year ended 31 March 2004

Company Registered No. 4068979



**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004**

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DIRECTORS AND PROFESSIONAL ADVISERS

DIRECTORS

Executive directors	S J Walker	Managing Director
	G Elliott	Finance Director
	M Brassell	External Affairs Director
	J M Helson	Customer Operations Director
	D R Burgess	Director Automotive Sector
	J Doyle	Commercial Director

SECRETARY

G Elliott

REGISTERED OFFICE

Queens Gardens
Kingston-Upon-Hull
HU1 3DZ

BANKERS

Royal Bank of Scotland plc
19 Silver Street
Hull
HU1 1WB

SOLICITORS

Gosschalks
Queens Gardens
Kingston-Upon-Hull
HU1 3DZ

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Reading

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements of HPI Limited for the year ended 31 March 2004.

PRINCIPAL ACTIVITY

The principal activity of the company is the provision of information and services to the automotive industry in the United Kingdom, including vehicle provenance data.

REVIEW OF THE BUSINESS

The company traded satisfactorily during the year. The directors consider that the company is well positioned to provide the market with vehicle provenance data, and consequently is poised for further growth.

RESULTS AND DIVIDENDS

The company generated turnover of £22,528,000 (2003: £20,205,000) and profit after tax of £8,231,000 (2003: £5,189,000). The directors do not recommend the payment of a dividend (2003: £nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year are as shown below:

M N Rowley (resigned 20 June 2003)
 S J Walker
 G Elliott
 J Kimber (resigned 2 February 2004)
 M Brassell
 J M Helson
 D R Burgess (appointed 26 January 2004)
 J Doyle (appointed 26 January 2004)

The directors do not hold any shares in HPI Limited. The interest of directors in the shares of HPI Group Limited, the immediate parent company, at 31 March 2003 are shown below. HPI Group Holdings Limited was incorporated on 1 June 2003 and acquired the entire share capital of HPI Group Limited on 20 June 2003. The interest of directors in the shares of HPI Group Holdings Limited, the ultimate parent company, at 31 March 2004 are as follows:

	Number of shares in HPI Group Holdings Limited at 31 March 2004:		Number of shares in HPI Group Limited at 31 March 2003:	
M N Rowley	255,000	"A" ordinary shares	1,274,745	ordinary shares
S J Walker	116,667	ordinary shares	65,500	"B" ordinary shares
G Elliott	100,000	ordinary shares	30,000	"B" ordinary shares
J Kimber	50,000	ordinary shares	30,000	"B" ordinary shares
M Brassell	50,000	ordinary shares	30,000	"B" ordinary shares
J Helson	50,000	ordinary shares	30,000	"B" ordinary shares
D R Burgess	10,000	ordinary shares	-	
J Doyle	30,000	ordinary shares	-	

AUDITORS

On 1 August 2003 Deloitte & Touche transferred their entire business to Deloitte & Touche LLP, a limited liability partnership formed pursuant to the Limited Liability Partnership Act 2000. The company gave its consent to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP. Accordingly, the accounts have been signed in the name of Deloitte & Touche LLP. A resolution for the reappointment of Deloitte & Touche LLP will be proposed at the next Annual General Meeting.

By Order of the Board



G Elliott
 Director
 11 May 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors 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 of the company for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HPI LIMITED

We have audited the financial statements of HPI Limited for the year ended 31 March 2004, which comprise the profit and loss account, the balance sheet, and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

The 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 auditor's 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 in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 directors' report 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 directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

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 2004 and its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Reading

11 May 2004

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2004

	Note	2004 £000	2003 £000
Turnover	2	22,528	20,205
Cost of sales		(2,144)	(1,805)
Gross profit		20,384	18,400
Administrative expenses		(11,681)	(12,485)
Operating profit	5	8,703	5,915
Interest receivable and similar income	6	48	57
Interest payable and similar charges	7	(13)	(16)
Profit on ordinary activities before taxation		8,738	5,956
Tax on profit on ordinary activities	8	(507)	(767)
Retained profit for the financial year	17,18	8,231	5,189

All amounts derive from continuing operations.

There are no recognised gains or losses for the year other than as stated above, and accordingly no statement of total recognised gains and losses is presented.

BALANCE SHEET
 As at 31 March 2004

	Note	2004 £000	2003 £000
Fixed assets			
Tangible assets	9	6,643	5,070
Current assets			
Debtors	10	20,509	12,434
Cash		1,133	554
		<u>21,642</u>	<u>12,988</u>
Creditors (amounts falling due within one year)	11	(5,262)	(3,973)
		<u>16,380</u>	<u>9,015</u>
Net current assets			
		<u>16,380</u>	<u>9,015</u>
Total assets less current liabilities		<u>23,023</u>	<u>14,085</u>
Creditors (amounts falling due after more than one year)	12	(737)	-
Provisions for liabilities and charges	13	(617)	(647)
		<u>21,669</u>	<u>13,438</u>
Net assets			
		<u>21,669</u>	<u>13,438</u>
Capital and reserves			
Called up share capital	15	30	30
Share premium account	16	2,775	2,775
Profit and loss account	17	18,864	10,633
Equity shareholders' funds	18	<u>21,669</u>	<u>13,438</u>

The financial statements on pages 6 to 15 were approved by the Board of directors and were signed on its behalf by:



G Elliott
 Director
 11 May 2004

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards. A summary of the more important accounting policies, which have been consistently applied, is set out below.

Accounting convention

The financial statements have been prepared in accordance with the historical cost convention.

Cash flow statement

The company is exempt from preparing a cash flow statement under Financial Reporting Standard 1 "Cash Flow Statements" (Revised 1996) on the basis that it is a wholly owned subsidiary whose cash flows are included in the consolidated financial statements of the ultimate parent company, HPI Group Holdings Limited. Copies of its consolidated accounts are available from its registered office, Queens Gardens, Kingston-Upon-Hull HU1 3DZ.

Turnover

Turnover represents income from the sale of vehicle provenance data on a transactional basis with income recorded upon provision of the service. Subscription revenue is recognised evenly over the subscription term. Any income received in advance is treated as deferred income and included in creditors.

Tangible fixed assets and depreciation

For all fixed assets depreciation is calculated to write off their cost, less their estimated residual value, by equal annual instalments over their estimated useful lives, which are considered to be:

Freehold land and buildings	50 years
Office equipment	5 years
Fixtures and fittings	10 years
IT equipment	1-4 years

Depreciation on assets under construction commences once the asset is ready for use.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

1 ACCOUNTING POLICIES (continued)

Bank deposits

Bank deposits which are repayable on demand are included in cash at bank and in hand.

Foreign currency

Assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Differences on exchange are charged or credited to the profit and loss account as they arise.

Provisions

HPI Limited offers customers a guarantee against potential losses due to the accuracy and quality of data provided to the customer. HPI Limited self-insures this potential liability and maintains a provision to cover any potential claims by customers who have taken out this guarantee cover based on actual claims history and claims trends. The provision is expected to be utilised within the next two years.

Pensions

The company makes contributions to defined contribution schemes, the assets of the schemes being held separately from the assets of the company. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Leasing

Assets held under finance leases and other similar contracts, 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 terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding. Rentals payable under operating leases are charged to the income on a straight line basis over the term of the relevant lease.

2 TURNOVER

Turnover represents sales made in the United Kingdom in connection with information relating to motor vehicles' history. Turnover relates to the company's principal business activity in the UK.

3 EMPLOYEES

The average number of employees (including executive directors) during the year was:

	2004 Number	2003 Number
Management	23	20
Operations	153	163
IT	31	30
	<u>207</u>	<u>213</u>

The costs incurred in respect of these employees (including executive directors) were:

	2004 £000	2003 £000
Wages and salaries	5,359	4,398
Social security costs	413	345
Other pension costs	117	108
	<u>5,889</u>	<u>4,851</u>

4 DIRECTORS' EMOLUMENTS

	2004 £000	2003 £000
<i>Directors</i>		
Aggregate emoluments	890	665
Money purchase pension contributions	17	13
	<u>907</u>	<u>678</u>
<i>Highest paid director</i>		
Aggregate emoluments	207	129
Money purchase pension contributions	5	-
	<u>212</u>	<u>129</u>

Five (2003: four) directors were accruing retirement benefits under money purchase pension schemes. Details of shares held by the directors are disclosed in the Directors' Report.

5 OPERATING PROFIT

Operating profit is stated after charging:

	2004 £000	2003 £000
Depreciation of tangible fixed assets	849	714
Loss on disposal of fixed assets	18	1
Operating lease charges - plant and machinery	1,565	2,023
- other	19	19
Auditors' remuneration		
- Audit	20	20
- Other services (Deloitte & Touche)	2	7
- Other services (PricewaterhouseCoopers)	-	14

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2004 £000	2003 £000
Bank interest	48	57

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £000	2003 £000
Finance lease interest	13	-
Bank charges	-	16
	<u>13</u>	<u>16</u>

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004 £000	2003 £000
Current Tax:		
United Kingdom corporation tax charge at 30%	618	788
Adjustment in respect of prior years	(280)	(468)
	338	320
Deferred Tax:		
Origination and reversal of timing differences	(58)	24
Adjustment in respect of prior years	227	423
	507	767

The tax assessed for the year differs from the standard rate of corporation tax in the UK (30%). The difference is explained below.

	2004 £000	2003 £000
Profit on ordinary activities before taxation	8,738	5,956
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	2,621	1,786
Effects of:		
Permanent differences	33	38
Capital allowances less than / (in excess of) depreciation	33	(23)
Movement in short term timing differences	26	(1)
Group relief not paid	(2,096)	(1,012)
Prior period adjustments	(279)	(468)
Current tax charge for the year	338	320

9 TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Office equipment £000	Fixtures and fittings £000	IT equipment £000	Total £000
Cost					
At 1 April 2003	2,755	127	353	3,771	7,006
Additions	22	18	75	2,325	2,440
Disposals	-	-	-	(39)	(39)
At 31 March 2004	2,777	145	428	6,057	9,407
Depreciation					
At 1 April 2003	109	36	92	1,699	1,936
Charge for the year	88	35	32	694	849
Disposals	-	-	-	(21)	(21)
At 31 March 2004	197	71	124	2,372	2,764
Net book value					
At 31 March 2004	2,580	74	304	3,685	6,643
At 31 March 2003	2,646	91	261	2,072	5,070

Included within IT equipment are assets under construction of £1,927,733 (2003: £407,934) which have not been depreciated. Included within Fixtures and Fittings are assets under construction of £36,712 (2003: £nil) which have not been depreciated.

The net book value of items purchased under a finance lease are £1,499,993 (2003: £nil). These items have not been depreciated because they are assets under construction.

10 DEBTORS

	2004 £000	2003 £000
Trade debtors	2,462	2,295
Amounts owed by group undertakings	17,072	9,316
Corporation tax recoverable	282	-
Deferred tax asset (see note 14)	62	231
Other debtors	3	5
Prepayments and accrued income	628	587
	20,509	12,434

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £000	2003 £000
Obligations under finance leases (see note 19)	500	-
Trade creditors	1,254	726
Amounts owed to group undertakings	363	363
Other creditors	-	1
Tax and social security	646	715
Corporation tax	220	303
Accruals and deferred income	2,279	1,865
	5,262	3,973

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2004 £000	2003 £000
Obligations under finance leases (see note 19)	737	-

13 PROVISIONS FOR LIABILITIES AND CHARGES

	Assurance £000
Opening provision	647
Additional provisions made in the year	180
Amounts used	(210)
Closing provision	617

HPI Limited offers customers a guarantee against potential losses due to the accuracy and quality of data provided to the customer. HPI Limited self-insures this potential liability and maintains a provision to cover any potential claims by customers who have taken out this guarantee cover based on actual claims history and claims trends. The provision is expected to be utilised within the next two years.

14 DEFERRED TAX ASSET

	2004 £000	2003 £000
At start of year	231	678
Charged to profit and loss account	(169)	(24)
Adjustment in respect of prior years	-	(423)
At end of year	62	231

The deferred tax asset is analysed as follows:

	2004 £000	2003 £000
Accelerated capital allowances	(170)	(79)
Other timing differences	232	310
	62	231

15 CALLED UP SHARE CAPITAL

	2004 £000	2003 £000
Authorised: 5,000,000 Ordinary shares of 1p each	50	50
Issued and fully paid: 3,035,002 Ordinary shares of 1p each	30	30

16 SHARE PREMIUM ACCOUNT

	2004 £000	2003 £000
At 31 March 2004 and 31 March 2003	2,775	2,775

17 PROFIT AND LOSS ACCOUNT

	2004 £000
Balance at the beginning of the year	10,633
Profit for the financial year	8,231
Balance at the end of the year	18,864

18 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2004 £000	2003 £000
Opening shareholders' funds	13,438	8,249
Profit for the financial year	8,231	5,189
Closing shareholders' funds	21,669	13,438

19 FINANCE LEASE COMMITMENTS

The company's liability for net obligations under finance leases is:

	2004 £000
Payable within one year	500
Payable between two and five years	737
	1,237

Obligations under finance leases are secured by related lease assets.

20 CAPITAL COMMITMENTS

Capital expenditure authorised and contracted for but not provided in the accounts amounts to £80,183 (2003: £101,615). The outstanding commitments include £55,576 (2003: £78,655) which relates to the acquisition of IT equipment, £16,000 (2003: £nil) which relates to the acquisition of fixtures and fittings, £8,607 (2003: £nil) which relates to the acquisition of office equipment and £nil (2003: £22,960) which relates to freehold improvements.

21 OPERATING LEASE COMMITMENTS

The company is committed to making the following payments during the next year in respect of operating leases:

	2004		2003	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Leases which expire within one year	-	307	-	1,368
Leases which expire between two and five years	19	54	19	105
	19	361	19	1,473

22 CONTINGENT LIABILITIES

The company has given a guarantee and granted a fixed and floating charge over its assets in respect of the term debt and loan facilities of its parent company and other group companies. At 31 March 2004 the total amount outstanding under these facilities was £45,500,000 (2003: £9,525,000).

23 PENSION SCHEMES

The company operates a Group Personal Pension scheme and the pension costs were £116,523 (2003: £107,859).

Employer contributions are made in accordance with individual salaries and the rate has been set at 1% for 18 to 24 years of age, 5% for 25 to 65 years of age and 10% upon completion of 10 years of service, of pensionable salaries for the employer. The scheme is a defined contributions scheme.

In addition the company contributes to group life and group spouses' policies to provide death in service benefits for all members of the scheme.

24 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking and controlling party of the only group of which the company is a member for which consolidated accounts are prepared is HPI Group Holdings Limited, a company incorporated in England and Wales. Copies of its consolidated accounts are available from its registered office, Queens Gardens, Kingston-Upon-Hull, HU1 3DZ.

25 RELATED PARTY TRANSACTIONS

HPI Limited is a wholly owned subsidiary of HPI Group Limited and has taken the exemption under paragraph 3c of Financial Reporting Standard 8 "Related Party Disclosures", whereby at least 90% of the company's voting rights are controlled within the group, in not disclosing details of transactions with other members of the group.

During the year ended 31 March 2003, the company purchased flight services from IMVA Aviation Limited. IMVA Aviation Limited is owned by M N Rowley, who was a director of HPI Limited until 20 June 2003. The value of the services rendered during the year ended 31 March 2003 was £153,940. No services were purchased from IMVA Aviation Limited during the year ended 31 March 2004.