

Accident Exchange Limited

**Annual Report and Financial Statements
Year ended 30 April 2008**

Registered number: 4141140



Accident Exchange Limited Company Information

Directors

S Evans

M Andrews

Secretary

S Jones

Registered office

Alpha 1

Canton Lane

Hams Hall

Birmingham

West Midlands

B46 1GA

Independent auditors

PricewaterhouseCoopers LLP

Cornwall Court

19 Cornwall Street

Birmingham

B3 2DT

Registered number

4141140

Accident Exchange Limited Directors' Report

The Directors present their annual report together with the audited financial statements for the year ended 30 April 2008.

Principal activities

The principal activities of Accident Exchange Limited (the "Company") are the delivery of accident management and other solutions to the automotive and insurance related sectors in the UK.

Revenue is derived principally from the provision of "non-fault" accident management assistance and related services and particularly from the credit repair and the credit hire of replacement vehicles, thereby keeping the "non-fault" party to a road traffic accident mobile.

Review of the business and future developments

The Company has delivered another year of significant growth in revenue and is well placed to take advantage of opportunities for further growth.

Operationally, the business recorded 1.1 million rental days on hire, an increase of 57% on the previous year (2007: 0.7 million) as motor dealers and manufacturers increasingly recognise the profit opportunity from improved customer loyalty and brand reinforcement if they offer accident management services to those of their customers involved in accidents.

The Directors are delighted to report that the legal challenge as to the enforceability of some of the Company's older claims was defeated in two significant county court cases during the autumn of 2007, however this was a major disruption for the business and had significant negative financial consequences on the results and cash flows for the year. Our resolve to pursue legal claims in tort on behalf of our customers is undiminished and, whilst we prefer to work collaboratively with insurers wherever possible, a materially more robust and litigated collection process is now being implemented as necessary.

On 15 June 2007 the Company's parent undertaking, Accident Exchange Group Plc announced that it had entered into a senior secured credit agreement with Morgan Stanley Bank International Limited in respect of banking facilities of up to £45.0 million. This facility, which matures on 30 September 2010, comprises aggregate term loans of £35.0 million and a £10.0 million revolving credit facility. The Company is party to cross-guarantees in relation to these banking facilities.

On 8 January 2008 Accident Exchange Group Plc announced the issue of £50.0 million of 5.50% convertible notes due 2013. Morgan Stanley & Co. International plc acted as lead manager and underwriter for this issue, the net proceeds of which were £46.6 million after expenses of £3.4 million. Accident Exchange Group Plc subsequently repaid £5.0 million of the existing banking facilities described above, and will use the remainder of the proceeds to provide additional working capital facilities and to fund the projected growth of the group. The Company is not party to any cross-guarantees in connection with these convertible notes.

On 29 February 2008 the Company acquired the whole of the issued share capital of Red Five Vehicle Management Limited, a provider of prestige vehicles on credit hire, for a cash consideration of £0.3 million.

Further information about the Company's performance and future developments, together with details of key performance indicators, is included in the Chairman's Statement and Business Review set out in the Annual Report and Accounts 2008 of Accident Exchange Group Plc.

Accident Exchange Limited

Directors' Report (continued)

Results and dividends

The profit and loss account is shown on page 11. A dividend of £4,000 per share (2007: £nil), totalling £4.0 million (2007: £nil), was proposed by the Company and approved in a general meeting of its members during the year. The movements in reserves are shown in note 19 to these accounts.

Directors

The Directors who served the Company during the year were as follows:

S Evans

M Andrews

N Pickering (resigned 12 October 2007)

G Clarke (appointed 12 October 2007; resigned 20 February 2008)

D Gupta (resigned 22 October 2007)

Directors' and officers' insurance

The Company maintains insurance cover for all Directors and officers of the Company against liabilities which may be incurred by them whilst acting in those capacities.

Employees

It is the Company's policy to consider all applicants for employment on the basis of their qualifications and experience for the specific job without regard to race, colour, religion, sex, age, disability or national origin. Appointments are determined by application of job criteria, abilities and competency.

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the factors affecting the performance of the Company. This is achieved through formal and informal meetings and the parent company's magazine. Share ownership is an important method of strengthening employees' involvement in the Company's development and the parent company has granted options in its shares to those of the Company's key managers and employees who qualify for share options and invited all employees to subscribe to the parent company's Sharesave Plan implemented during the year.

Accident Exchange Limited Directors' Report (continued)

Payment to suppliers

It is the Company's policy to agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard terms and conditions to individually negotiated contracts, and to pay suppliers according to those agreed terms and conditions, provided that the supplier meets their obligations. Other than this the Company does not have a standard or code which deals specifically with the payment of suppliers.

Trade creditors at the year end amount to 66 days (2007: 77 days) of average supplies for the period.

Charitable donations

During the year the Company made donations to UK health related charities of £1,175 (2007: £675).

Principal risks and uncertainties

A. Operational

Fleet costs and efficiency

In recent years, although the average price of new vehicles has increased, the financing terms available to the Group (and the market generally) have become more competitive although have risen recently given the effect of reduced liquidity in credit markets generally. The holding cost of vehicles is dependent on both the purchase price of vehicles, the discounts negotiated with manufacturers and dealers, financing terms and the residual values at the time of disposal. There is a risk that new vehicle prices will continue to increase or that financing terms or residual values will worsen, which will mean that the Group may not be able to control effectively the average cost of its fleet by purchasing a mix of less expensive vehicles, or that the Group is unable to pass on the increased cost of vehicles through its rental rates.

The Group endeavours to maximise the utilisation of its vehicle fleet so as to minimise the costs of holding non-revenue generating vehicles. The Group increased its rental fleet from 4,033 vehicles at 30 April 2007 to 4,850 vehicles at 30 April 2008, reflecting rental day growth and capacity increase. Any deterioration in utilisation rates could adversely affect the Group's profitability.

Residual value of rental vehicles

The Group depreciates its fleet to each vehicle's estimated residual value at the point of disposal. Residual values are not ordinarily guaranteed to the Group by its fleet suppliers and the Group is therefore exposed to adverse movements in second-hand vehicle prices, which could be a result of a number of factors, including increased supply of new vehicles to the market by manufacturers, general economic conditions, model changes and legislative requirements (for example, changes to environmental legislation). Any such change in used vehicle prices or a lack of liquidity in the used vehicle market may impact upon the Group's ability to dispose of these vehicles and could adversely affect the Group's results and cash flows.

IT Systems

The Group's business is dependent on processing a large number of claims and vehicle hires across the UK. The Group's systems and processes (including the Group's IT systems which have, in the main, been developed in-house) are designed to ensure that the operational risks associated with its activities are appropriately controlled, but any weakness in the systems, processes or business continuity arrangements could have a negative impact on its results or operations during the affected period.

Accident Exchange Limited Directors' Report (continued)

Principal risks and uncertainties (continued)

Key Personnel

The Group's future success is dependent on the development and performance of its senior management. The loss of the services of any of its senior management team could adversely affect the Group's business.

Regulatory

The Group's business is regulated by both the Financial Services Authority and the Ministry of Justice. Whilst the Directors believe that the Group conducts its business in compliance with all applicable regulations and will continue to endeavour to do so, there remains a risk that regulators will find that the business has not complied fully with such regulations and any subsequent action taken against the Group (such as withdrawal of any required authorisations) may adversely affect the Group's business.

Risks relating to the industry

There have been a number of test cases, funded mainly by insurance companies, which have challenged the enforceability of credit hire agreements and the recovery of hire charges incurred through a credit hire agreement. There have also been defences raised in lower courts on a case by case basis which have sought to challenge the hire rates which can be recovered by credit hire organisations. However, the ability of a non-fault claimant to recover the costs of a replacement vehicle as well as the cost of repairing the damaged vehicle after a road accident and the basis upon which the rates for the hire of a vehicle will be awarded is firmly established in law. Recent challenges to the enforceability of certain of the Group's own agreements were ultimately defeated. However, if insurance companies were to bring further challenges in respect of the principle of the recoverability of credit hire and credit repair arrangements or the hire rates recoverable in tort, and if those challenges were protracted and/or successful, then the Group's turnover, profitability, cash flow and solvency could be materially adversely affected.

The Group is a signatory to the Association of British Insurers General Terms of Agreement (GTA). The GTA is a protocol between certain insurance companies and credit hire operators, including the Group, as to the manner in which claims should be processed, the documentation which clients should complete, the procedures that must be undertaken whilst a client is in a hire vehicle, the hire rates that insurance companies will pay and the timeframe for payment. There is no guarantee that insurers will continue to abide by these protocols or that these protocols will not change adversely over time. Either of these events could have a materially detrimental effect on the profitability and cash flow of the Group. Membership of the GTA is voluntary and it is open to members to leave at any time.

Competition

The Group operates in a competitive industry the barriers to entry of which are relatively low. There is also the potential for insurance companies, brokers and/or providers of services to motorists or other consumer groups to enter the market, either alone or in collaboration with service providers such as the Group. If the Group is unable to respond adequately to the competitive challenges, it may lose market share and there may be pressure on the Group's prices and costs, having an adverse impact on the Group's financial results.

Accident Exchange Limited Directors' Report (continued)

Principal risks and uncertainties (continued)

Competition (continued)

The Group's primary referral relationships are with a large number of motor dealerships and dealership groups and, accordingly, the Group does not consider itself to be dependent on any one particular referring partner. Nevertheless, given the largely fixed nature of the Group's cost base, the loss of or a substantial reduction in a major referring partner's business could have a material affect on the Group's revenue and profitability. The Group seeks to minimise the potential risk of any loss of business from its referring partners by entering into contracts with the majority of its referring partners for periods of up to three years for the referral of prospective customers to the Group on an exclusive basis.

B. Financial

Financial risk management

The Company's operations expose it to a number of financial risks that include liquidity risk, market risk (interest rate risk and price risk) and credit risk.

Given the size of the Company the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Directors are implemented by the finance department.

Liquidity risk

The timing of the receipt of funds from the insurer of the party from whom the Company seeks to recover its rental charges is uncertain and can be protracted. This is the primary financial risk covered by the Company's financial risk management process and underpins the Directors' financing strategies. The Company actively forecasts, manages and reports its working capital requirements on a regular basis to ensure that it has sufficient funds for its operations.

Interest rate risk

The Company has in place a policy of minimising finance charges on loan balances via the monitoring of its cash balances and by forecasting and financing its working capital requirements.

At 30 April 2008 the Company had net debt of £94.8 million (2007: £82.8 million), comprising cash at bank and in hand of £2.3m (2007: bank overdraft of £5.9 million) and hire purchase borrowings associated with vehicle purchases of £97.1 million (2007: £76.9 million).

In light of the Company's growth and the increasing size of hire purchase borrowings, all hire purchase borrowings are contracted on fixed rate terms.

The Company is aware that it is exposed to interest rate risk. Various hedging strategies were considered during the year, however the Board has decided to not to hedge this risk at this time, rather monitor it on an ongoing basis. Hedging instruments may be implemented in the future.

Accident Exchange Limited

Directors' Report (continued)

Financial risk management (continued)

Credit risk

The Company recovers its charges from the insurer of the fault party to the associated accident. Credit risk is therefore spread across major UK based motor insurers in proportion to their respective share of the market. No credit insurance is taken out given the regulated nature of these entities. The average credit period taken by debtors is 227 days (2007: 176 days).

Where cash is placed on deposit the Company uses only its UK based clearing bank for such purposes. Funding to purchase vehicles is obtained from a variety of lenders, ranging from highly rated financial institutions to vehicle manufacturer related finance houses. All institutions utilised by the Company require the advance approval of the parent company's Board.

Price risk

The majority of the Company's cost base reflects the acquisition and financing costs of its vehicles, commissions payable to its referrers, fuel and repair costs, premises and salary costs. No costs are incurred that the Directors consider would be appropriate for the Company to hedge with financial instruments, subject to the comments made above on interest rate management. The Company has no exposure to equity securities price risk as it holds no listed equity investments.

Directors' responsibilities for the financial statements

The Directors are responsible for preparing the Annual Report and 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 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business , in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that 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.

**Accident Exchange Limited
Directors' Report (continued)**

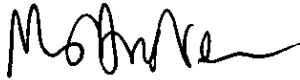
Statement of disclosure of information to auditors

As far as the Directors, individually, are aware there, is no relevant audit information of which the Company's auditors are unaware and the Directors have taken all necessary steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting in accordance with section 385 of the Companies Act 1985.

On behalf of the Board



M Andrews
Director
30 June 2008

Independent Auditors' Report to the members of Accident Exchange Limited

We have audited the financial statements of Accident Exchange Limited for the year ended 30 April 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Principal Accounting Policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Directors' Report 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 Directors' Report 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 judgments 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.

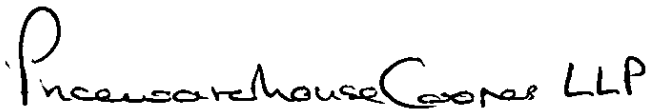
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent Auditors' Report
to the members of Accident Exchange Limited (continued)**

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 30 April 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 Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Birmingham

30 June 2008

Accident Exchange Limited
Profit and Loss Account
for the year ended 30 April 2008

	Note	2008 £'m	2007 £'m
Turnover	1	161.8	114.1
Cost of sales		(115.3)	(78.8)
Gross profit		46.5	35.3
Administrative expenses		(24.8)	(18.6)
Operating profit before exceptional costs		22.8	19.0
Exceptional costs	2	(1.1)	(2.3)
Operating profit	3	21.7	16.7
Net interest payable	4	(12.2)	(6.8)
Profit on ordinary activities before taxation		9.5	9.9
Tax on profit on ordinary activities	7	(2.8)	(3.1)
Profit for the financial year	19	6.7	6.8

There are no gains or losses other than the profits for the years shown above and therefore no separate statement of total recognised gains and losses has been presented.

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the years stated above and their historical cost equivalents.

All results relate to continuing operations.

Accident Exchange Limited
Balance Sheet
as at 30 April 2008

	Note	2008 £'m	2007 £'m
Fixed assets			
Intangible assets	9	0.3	0.3
Tangible assets	10	91.2	72.7
Investments	11	0.3	-
		91.8	73.0
Current assets			
Debtors	12	128.8	82.2
Cash at bank and in hand		2.3	-
		131.1	82.2
Creditors: amounts falling due within one year	13	(74.7)	(59.7)
Net current assets		56.4	22.5
Total assets less current liabilities		148.2	95.5
Creditors: amounts falling due after more than one year	14	(120.9)	(70.9)
Provisions for liabilities and charges	16	(3.7)	(3.6)
Net assets		23.6	21.0
Capital and reserves			
Called up share capital	18	-	-
Share premium account	19	-	-
Profit and loss account	19	23.6	21.0
Total shareholders' funds	20	23.6	21.0

The financial statements on pages 11 to 25 were approved by the Board of Directors and signed on its behalf by:



S Evans
Director
30 June 2008

Accident Exchange Limited

Principal Accounting Policies

Basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the UK. The accounting policies have remained unchanged from the previous year and are set out below. New Financial Reporting Standards issued and / or which became effective during the year are either not applicable to the Company or have no significant impact on its financial statements.

Consolidation

The Company has taken advantage of the exemption to produce consolidated accounts conferred by section 228 of the Companies Act 1985. The financial statements therefore present information about the Company as an individual undertaking and not about its group. The Company is included within the consolidated financial statements of Accident Exchange Group Plc, the Company's ultimate parent undertaking.

Income recognition

Credit hire and repair income, and income derived from other accident management activities, is recognised, net of VAT, as that which is estimated as receivable on transactions which have been completed during the year, together with an appropriate proportion of estimated recoverable income in respect of hires and claims in progress at the year end.

Credit Hire revenue is recognised from the date a vehicle is placed on hire. Vehicles are only placed on hire after a validation process that ensures to the Group's satisfaction that liability for the accident rests with another party. The rates used are based on daily commercial rate charges for particular categories of vehicles and are accrued on a daily basis, by claim, after adjustment for the amount at which the claim is expected to settle. The settlement adjustment includes an estimation of the extent to which insurers are expected to take advantage of early settlement arrangements afforded under the terms of the ABI GTA.

Credit repair revenue represents income from the recovery of the costs of repair of customers' vehicles. Credit repair revenue is recognised when the work has been completed, invoiced and confirmed as recoverable. Credit repair income is recorded net of settlement adjustments.

Exceptional items

Exceptional items are transactions which, by virtue of their size or incidence, are disclosed separately within the financial statements in order to aid and improve understanding of the Company's financial performance.

Intangible assets and amortisation

Internal software development costs that satisfy the criteria of SSAP 13 – 'Accounting for Research and Development' are capitalised and amortised over an estimated useful life of five years. All other internal software development costs are expensed to the profit and loss account in the year in which they are incurred.

Accident Exchange Limited

Principal Accounting Policies (continued)

Tangible assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets on a straight line basis over their expected useful economic lives. The rates generally applicable are:

Computer equipment	33%
Plant, fixtures and fittings	25%
Motor vehicles	the shorter of the period of the lease or 22.5%

The cost of fixed assets is stated at purchase cost plus incidental costs of acquisition.

Residual values, remaining useful economic lives and depreciation methods are reviewed annually and adjusted if appropriate.

Investments

Investments in subsidiary undertakings are stated at cost less provision for any impairment.

Claims in progress

Amounts recoverable on claims in progress, which are included in debtors, are stated as the estimated net claim value after estimated allowances for settlements.

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful economic lives. The interest element of lease payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Financial instruments

The Company has taken advantage of the exemption conferred by FRS 29 not to produce the disclosures required by that standard as the Company is included in consolidated financial statements which contain disclosures that comply with FRS 29.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantially enacted by the balance sheet date. Where assets and liabilities for deferred taxation arise they are not discounted.

Cash flow statement

The Company is a wholly-owned subsidiary of Accident Exchange Group Plc and its cash flows are included in the consolidated cash flow statement of that company. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement conferred by FRS 1 'Cash flow statements'.

Accident Exchange Limited

Principal Accounting Policies (continued)

Pensions

The Company contributes to certain of its employees' individual personal pension plans on a defined contribution basis. The pension costs arising are charged to the profit and loss account to represent the amounts of contributions payable to the plans in respect of the accounting period.

Share based payments

Costs of share based payments are charged to the profit and loss account in accordance with FRS 20 'Share based payments'. This results in the calculation of an embedded value for share option grants as at their date of grant and the resulting fair value charge is spread over the three year vesting period. The charge reflects for example, the time value of money (as the options are not paid for until the end of the three year vesting period) and also factors such as the risk free cost of capital and share price volatility.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Accident Exchange Limited
Notes to the Financial Statements
for the year ended 30 April 2008

1. Turnover

The Company's turnover is analysed as follows:

	2008	2007
	£'m	£'m
Delivery of accident management and related services	121.5	85.3
Credit repair	40.3	28.8
	161.8	114.1

Turnover and profit on ordinary activities before taxation for the year are wholly attributable to the principal activity of the delivery of accident management and other solutions to the automotive and insurance related sectors in the UK.

2. Exceptional costs

Exceptional costs are analysed as follows:

	2008	2007
	£'m	£'m
Accident Management Scheme launch costs	1.1	1.3
Exceptional settlement discount	-	1.0
	1.1	2.3

During the period the Company incurred administrative expenses of £1.1 million (2007: £1.3 million) launching Accident Management Schemes for and on behalf of newly acquired referring dealer and manufacturer partners. Due to the significant magnitude of this investment both in the current and prior periods, which is expected to drive revenues in future periods, the costs have been disclosed as exceptional items.

During the prior year, as a result of a legal challenge as to the enforceability of certain of the Company's historical terms and conditions, certain insurers departed from their previously established payment profiles. Whilst a number of leading insurers advised that they were not pursuing these arguments the Company found it necessary to concede a significantly enhanced settlement discount in order to crystallise a material settlement receipt from one insurer in March 2007. This concession was made at a time of considerable uncertainty as regards the legal challenge and at a time of maximum utilisation of the then financing facilities available to the Company, facilities which were strengthened during the year ended 30 April 2008.

Accident Exchange Limited
Notes to the Financial Statements
for the year ended 30 April 2008 (continued)

3. Operating profit

Operating profit is stated after charging:

	2008 £'m	2007 £'m
Auditors' remuneration:		
Audit services	0.1	0.1
Depreciation:		
Tangible assets - owned	1.0	0.7
Tangible assets - held under hire purchase contracts	22.0	16.7
Amortisation of intangible assets - software (note 9)	0.1	-
Loss on disposal of fixed assets	1.3	0.6
Operating lease rentals:		
Land and buildings	1.5	1.6
Vehicles, plant and machinery	11.1	2.6

A summary of the audit and non-audit fees in respect of services provided by PricewaterhouseCoopers LLP charged to operating profit is set out in note 3 to the Annual Report and Accounts 2008 of Accident Exchange Group Plc.

4. Net interest payable

	2008 £'m	2007 £'m
Bank interest receivable	(0.1)	-
Bank interest payable	-	0.2
Finance charges in respect of hire purchase contracts	7.1	5.0
Interest payable to parent undertaking	5.2	1.6
	12.3	6.8
Net interest payable	12.2	6.8

5. Wages and salaries

Staff costs (including Directors) during the year were as follows:

	2008 £'m	2007 £'m
Wages and salaries	15.8	12.6
Social security costs	2.0	1.3
Pension costs	0.5	0.3
Share based payments	(0.1)	0.1
	18.2	14.3

Accident Exchange Limited
Notes to the Financial Statements
for the year ended 30 April 2008 (continued)

5. Wages and salaries (continued)

The average monthly number of persons (including Directors) employed by the Company during the year was as follows:

	2008	2007
	No.	No.
Sales and Operations	397	354
Finance and Administration	209	112
	606	466

6. Directors' remuneration

Aggregate emoluments for Directors' remuneration and other benefits were as follows:

	2008	2007
	£'m	£'m
Emoluments and other benefits	0.1	0.7
Pension	-	0.1
	0.1	0.8

S Evans, M Andrews and D Gupta, as Directors of the Company's parent undertaking, Accident Exchange Group Plc, have their remuneration paid by that company. Details of the remuneration paid to these Directors by Accident Exchange Group Plc are set out in the Remuneration Report in that company's Annual Report and Accounts 2008.

The number of Directors who accrued benefits under money purchase pension schemes was 2 (2007: 7).

The amounts shown above include remuneration in respect of the highest paid Director as follows:

	2008	2007
	£'m	£'m
Emoluments and other benefits	0.1	0.1
Pension	-	-
	0.1	0.1

Accident Exchange Limited
Notes to the Financial Statements
for the year ended 30 April 2008 (continued)

7. Tax on profit on ordinary activities

The tax charge is based on the profit for the year and represents:

	2008 £'m	2007 £'m
UK corporation tax	2.7	2.5
Total current tax	2.7	2.5
Deferred tax charge for the year	0.3	0.6
Deferred tax movement due to change in tax rate	(0.2)	-
Total deferred tax (note 16)	0.1	0.6
Tax on profit on ordinary activities	2.8	3.1

The standard rate of corporation tax in the UK reduced during the financial year, from 30% to 28% with effect from 1 April 2008. As a result, the average standard rate of corporation tax applicable to the Company for the year was 29.8% (2007: 30%). The tax assessed for the year differs from that resulting from applying the average standard rate of corporation tax, the differences being as follows:

	2008 £'m	2007 £'m
Profit on ordinary activities before taxation	9.5	9.9
Profit on ordinary activities multiplied by average standard rate of corporation tax in the UK of 29.8% (2007: 30%)	2.8	3.0
Effects of:		
Expenses not deductible for tax purposes	0.2	0.1
Capital allowances in excess of depreciation	(0.3)	(0.6)
Current tax charge for the year	2.7	2.5

8. Dividends

During the year a dividend of £4,000 per share (2007: £nil) was proposed by the Company and approved in a general meeting of its members.

	2008 £'m	2007 £'m
Final dividends approved	4.0	-

Accident Exchange Limited
Notes to the Financial Statements
for the year ended 30 April 2008 (continued)

9. Intangible assets

	Software £'m
Cost	
At 1 May 2007	0.3
Additions	0.1
At 30 April 2008	0.4
Amortisation	
At 1 May 2007	-
Charged in the year	0.1
At 30 April 2008	0.1
Net book amount at 30 April 2008	0.3
Net book amount at 30 April 2007	0.3

10. Tangible assets

	Fixtures and fittings £'m	Computer equipment £'m	Motor vehicles £'m	Total £'m
Cost				
At 1 May 2007	1.0	1.9	84.7	87.6
Additions	0.2	1.0	85.3	86.5
Disposals	-	(0.1)	(64.5)	(64.6)
At 30 April 2008	1.2	2.8	105.5	109.5
Depreciation				
At 1 May 2007	0.4	0.8	13.7	14.9
Charged in the year	0.3	0.7	22.0	23.0
Disposals	-	-	(19.6)	(19.6)
At 30 April 2008	0.7	1.5	16.1	18.3
Net book amount at 30 April 2008	0.5	1.3	89.4	91.2
Net book amount at 30 April 2007	0.6	1.1	71.0	72.7

Accident Exchange Limited
Notes to the Financial Statements
for the year ended 30 April 2008 (continued)

10. Tangible assets (continued)

The figures stated above include assets held under hire purchase contracts as follows:

	Motor vehicles £'m
Net book amount at 30 April 2008	89.4
Net book amount at 30 April 2007	71.0

11. Investments

	Investments £'m
Cost and net book amount	
At 1 May 2007	-
Additions	0.3
At 30 April 2008	0.3

On 29 February 2008 the Company acquired the whole of the issued voting share capital of Red Five Vehicle Management Limited ("Red Five"), a company registered in England and Wales. Red Five provides accident management and related services to the automotive and insurance sectors. The consideration for the acquisition was £0.3 million, which was satisfied in cash at completion. Red Five reported a loss after taxation of £7,000 for the seven month period ended 30 April 2008. The book value and fair value of its net assets at the date of acquisition were £0.2 million of which £0.1 million was represented by cash and cash equivalents.

12. Debtors

	2008 £'m	2007 £'m
Claims in progress	16.2	16.3
Trade debtors	109.7	63.1
Other debtors	0.2	0.3
Corporation tax recoverable	0.4	-
Prepayments and accrued income	2.3	2.5
	128.8	82.2

Accident Exchange Limited
Notes to the Financial Statements
for the year ended 30 April 2008 (continued)

13. Creditors: amounts falling due within one year

	2008	2007
	£'m	£'m
Bank overdraft (note 15)	-	5.9
Amounts due under hire purchase contracts (note 15)	38.4	34.0
Trade creditors	10.9	9.3
Amounts owed to parent undertaking	20.1	6.3
Corporation tax	-	0.4
Social security and other taxes	2.4	2.3
Other creditors	1.1	1.1
Accruals and deferred income	1.8	0.4
	74.7	59.7

Amounts owed to the Company's parent undertaking included above are unsecured, carry interest at 4% over base rate, have no fixed date of repayment and are repayable on demand.

14. Creditors: amounts falling due after more than one year

	2008	2007
	£'m	£'m
Amounts due under hire purchase contracts (note 15)	58.7	42.9
Amounts owed to parent undertaking	62.2	28.0
	120.9	70.9

Amounts owed to the Company's parent undertaking included above are unsecured and carry interest at 4% over base rate. These amounts have no fixed date of repayment and the parent company has confirmed that these amounts will not fall due for repayment within the next year..

15. Maturity of borrowings

	2008	2007
	£'m	£'m
Borrowings are repayable as follows:		
Within one year:		
Bank overdraft	-	5.9
Hire purchase	43.9	38.2
After one and within two years:		
Hire purchase	60.6	44.3
Less: hire purchase interest included above	(7.4)	(5.6)
	97.1	82.8

Amounts due under hire purchase contracts are secured on the assets to which they relate.

Accident Exchange Limited
Notes to the Financial Statements
for the year ended 30 April 2008 (continued)

16. Provisions for liabilities and charges

The movement in deferred taxation, which is provided in full, is as follows:

	Deferred taxation (note 17) £'m
At 1 May 2007	3.6
Provided during the year (note 7)	0.1
At 30 April 2008	3.7

17. Deferred taxation

The deferred tax liability is analysed as follows:

	2008 £'m	2007 £'m
Accelerated capital allowances	3.8	3.6
Other timing differences	(0.1)	-
Undiscounted deferred tax liability	3.7	3.6

18. Called up share capital

	2008 £'m	2007 £'m
Authorised		
100,000 Ordinary shares of £1 each	0.1	0.1
Allotted, issued and fully paid		
1,000 Ordinary shares of £1 each	-	-

19. Reserves

	Share premium £'m	Profit and loss account £'m	Total £'m
At 1 May 2007	-	21.0	21.0
Profit for the financial year	-	6.7	6.7
Dividends (note 8)	-	(4.0)	(4.0)
Share based payments - value of employee service	-	(0.1)	(0.1)
At 30 April 2008	-	23.6	23.6

The Company has share premium of £9,000 (2007: £9,000).

Accident Exchange Limited
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for the year ended 30 April 2008 (continued)

20. Reconciliation of movements in total shareholders' funds

	2008	2007
	£'m	£'m
Profit for the financial year	6.7	6.8
Dividends (note 8)	(4.0)	-
Share based payments - value of employee service	(0.1)	0.1
	2.6	6.9
Opening total shareholders' funds	21.0	14.1
Closing total shareholders' funds	23.6	21.0

21. Capital commitments and contingent liabilities

There were no material contingent liabilities at 30 April 2008 (2007: none). The Company is party to cross-guarantees in relation to bank and certain other borrowings of its parent undertaking.

Capital commitments relate to the replacement of some existing motor vehicles and the purchase of new motor vehicles. The purchase of new vehicles is contingent upon specific motor dealers operating an exclusive relationship with the Company in respect of the introduction of credit hire claims involving their customers.

Included in capital commitments due within one year are confirmed orders for motor vehicles amounting to £12.4 million (2007: £5.4 million) ordered in the normal course of business, which are not contingent on an exclusive relationship being upheld.

Capital commitments for motor vehicles at the year end, which are contingent upon an exclusive relationship being upheld by our referring partners and on the maximum expected referral volumes being received from each referrer are analysed as follows:

	2008	2007
	£'m	£'m
In one year or less	85.1	65.8
Between one and five years	16.3	44.9
	101.4	110.7

22. Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings 30 April 2008 £'m	Land and buildings 30 April 2007 £'m	Other 30 April 2008 £'m	Other 30 April 2007 £'m
Operating leases which expire:				
Within one year or less	-	-	-	5.0
Between one year and five years	-	0.4	1.5	0.2
In five years or more	0.3	1.2	0.8	-
	0.3	1.6	2.3	5.2

Accident Exchange Limited
Notes to the Financial Statements
for the year ended 30 April 2008 (continued)

23. Pension commitments

The Company makes contributions to certain of its employees' individual personal pension plans on a defined contribution basis, the assets of which are held separately from those of the Company in independently administered funds. The pension cost charge of £0.5 million (2007: £0.3 million) represents contributions payable by the Company to the funds. Contributions totalling £0.1 million (2007: £0.1 million) were included within creditors at the year end and subsequently paid to the funds.

24. Related party transactions

The Company has taken advantage of the exemption conferred by FRS 8 'Related party disclosures' not to disclose transactions with other group companies.

25. Controlling party and ultimate parent undertaking

The Company's immediate and ultimate parent undertaking and controlling party is Accident Exchange Group Plc, a company incorporated in England whose shares are traded on the Official List of the London Stock Exchange. Copies of Accident Exchange Group Plc's Annual Report and Accounts 2008 can be obtained from the Company Secretary, Alpha 1, Canton Lane, Hams Hall, Birmingham, B46 1GA or from its website www.accidentexchange.com.