

Company Registration No. 5107527 (England and Wales)

**ACCIDENT ADVICE HOLDINGS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2006**

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ACCIDENT ADVICE HOLDINGS LIMITED

COMPANY INFORMATION

Directors

B A Beck
D Werth
L Beck
D Scott Rees

Secretary

B A Beck

Company number

5107527

Registered office

4th Floor
St Alphage House
2 Fore Street
London EC2Y 5DH

Business address

Accident Advice House
Merrion Avenue
Stanmore
Middlesex
HA7 4RP

Bankers

HSBC Bank plc
90 Baker Street
London
W1V 6AX

Auditors

UHY Hacker Young LLP
St Alphage House
2 Fore Street
London
EC2Y 5DH

ACCIDENT ADVICE HOLDINGS LIMITED

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ACCIDENT ADVICE HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2006

The directors present their report and the financial statements for the year ended 31 May 2006

Principal activities and review of the business

Accident Advice Holdings Limited is the holding company of a group of companies whose principal activities are the assistance of individuals with personal injury claims

Review of the business

The personal injury claims sector remained a challenging market place during the year and the group's main focus during 2005/06 has been to grow the business

The group's development during the year

During 2005/06 there has been no change to the group's target market which has continued to be members of the public who have suffered a no-fault personal injury.

The group has never generated customers through door-to-door canvassing or cold calling and it also has no commission based sales force approaching potential claimants. In fact all customer contacts are handled by the group's client management call centre

During the year the group expanded the number of specialist solicitors with which it works and in 2005/06 the group obtained over £4 million in compensation for its customers

The group's performance

During the year, as a result of the Directors' efforts to grow the business, turnover increased by 9% to £7,186,000 (2005 £6,549,000). The percentage increase in turnover is a key performance indicator for the group as it measures the growth of our business

Net profit before tax also grew significantly to £935,000 which compares to a loss last year of £2,605,000

The group's position

The group cash position at the year end was healthy with cash at bank and in hand amounting to £446,000 (2005 £93,000)

The Directors believe that the group's position in the marketplace remains strong and we look forward to further growth in 2006/07

No events have occurred since the balance sheet date which significantly affect the group

ACCIDENT ADVICE HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2006

Principal risks and uncertainties facing the group

The principal risks and uncertainties facing the group are -

Operational risk this is the risk of loss resulting from a breakdown in internal control systems which are designed to prevent and detect fraud and error

Financial reporting risk this is the risk that due to a breakdown in internal control or fraud, the financial statements are materially misstated

Bad debt risk this is the risk of defaults on debts from customers

Business continuity risk this is the risk that a disaster or other unexpected event occurs leading to an inability to conduct our business

Compliance and regulatory risk this is the risk that changes in the regulatory framework within which we operate could reduce our ability to operate profitably in the future

The group seeks to manage these risks by having in place sound systems of internal control and risk management. The effectiveness of these systems are reviewed on a regular basis.

Such systems are designed to manage rather than eliminate risk and any system can provide only reasonable and not absolute assurance against material misstatement or loss.

As regards the risk of defaults on debts from customers, the group's exposure to bad debts has been low historically due to the tight credit control procedures which are maintained.

The risk of disruption to the business as a result of a disaster or unexpected event is mitigated as the group does have internal disaster recovery solutions in place. Moreover tapes containing up to date operational, financial and other business critical data are backed up on a daily basis and then stored in an off-site location.

The introduction of The Compensation Act (2006) will see regulation imposed on the Claims Management industry from 6 April 2007.

Throughout 2006 the Department for Constitutional Affairs (DCA) has been consulting with various stakeholders within the industry on the drafting of the rules for regulation. Monthly Regulatory Consultative Group meetings have taken place between the DCA and the various stakeholder groups which include three members from the claims management industry. The joint Managing Director of Accident Advice Holdings group, Mr Darren Werth, is one of these three members. As a result of the Compensation Act only authorised individuals/companies are able to carry out claims management services as from April 2007. The group received its Certificate of Authorisation in February 2007 and was one of the first companies to have been fully authorised and approved by the Department of Constitutional Affairs.

As an ethical and professional company in the claims management sector, Accident Advice Holdings group would welcome regulation that would remove some of the more unscrupulous practices from our industry.

ACCIDENT ADVICE HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2006

Results and dividends

The results for the year are set out on page 7

The directors do not recommend the payment of a dividend

Directors and their interests

The following directors have held office since 1 June 2005

B A Beck
D Werth
L Beck
D Scott Rees

The interests of the directors in the shares of the company, including their family and beneficial interests, are as follows

	Ordinary Shares of £1 each	
	31 May 2006	31 May 2005
B A Beck	8,000	8,000
D Werth	7,500	7,500
L Beck	7,500	7,500

L Beck had a beneficial interest in a trust which owns 20,000 shares.

No director has a direct interest in the share capital of any other group companies

Auditors

On 30 April 2007 the auditors, UHY Hacker Young, transferred their business to a limited liability partnership, UHY Hacker Young LLP. In accordance with Section 385 of the Companies Act 1985, a resolution proposing that UHY Hacker Young LLP be appointed as auditors of the company will be put to the Annual General Meeting.

Charitable donations

During the period the group made charitable donations of £3,020

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

ACCIDENT ADVICE HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2006

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board


L Beck
Director

29 May 2007

ACCIDENT ADVICE HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ACCIDENT ADVICE HOLDINGS LIMITED

We have audited the financial statements of Accident Advice Holdings Limited for the year ended 31 May 2006 set out on pages 7 to 23. 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 an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with the 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, and whether in our opinion the information given in the directors' report is consistent with the financial statements. We also 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 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.

ACCIDENT ADVICE HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF ACCIDENT ADVICE HOLDINGS LIMITED

Going concern

In providing our opinion we have considered the disclosures made in Note 11 concerning the group's ability to continue trading as a going concern. Our opinion is not qualified in this respect.

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 May 2006 and of its profit for the year then ended and 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

UHY Hacker Young LLP
UHY Hacker Young LLP

Chartered Accountants
Registered Auditors

29 May 2007

ACCIDENT ADVICE HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MAY 2006

	Notes	2006 £	2005 £
Turnover	2	7,186,820	6,549,302
Cost of sales		(2,452,080)	(3,162,184)
Gross profit		4,734,740	3,387,118
Administration expenses		(3,615,507)	(5,897,387)
Operating profit/(loss)	3	1,119,233	(2,510,269)
Amounts written off investments		-	(62,500)
Interest receivable	4	8,144	4,269
Interest payable and similar charges	5	(191,993)	(36,303)
Profit/(loss) on ordinary activities before taxation		935,384	(2,604,803)
Tax on profit/(loss) on ordinary activities	6	(104,779)	-
Profit/(loss) on ordinary activities after taxation		830,605	(2,604,803)
Retained profit/(loss) for the year	17	830,605	(2,604,803)

The group's operations remain unchanged, no operations were disposed of or acquired

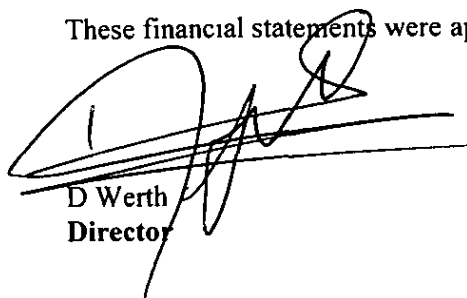
There are no recognised gains or losses other than those passing through the profit and loss account

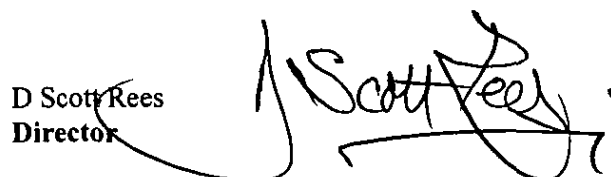
ACCIDENT ADVICE HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 MAY 2006

	Notes	£	2006 £	£	2005 £
Fixed assets					
Tangible assets	9		46,985		92,162
Current assets					
Debtors	11	928,091		592,252	
Cash at bank and in hand		446,044		93,607	
			1,374,135	685,859	
Creditors: amounts falling due within one year	12	(1,631,200)		(1,459,157)	
Net current liabilities			(257,065)		(773,298)
Total assets less current liabilities			(210,080)		(681,136)
Creditors amounts falling due after more than one year	13		(1,486,617)		(1,604,114)
Provision for liabilities and charges	14		(15,000)		(257,052)
			(1,711,697)		(2,542,302)
Capital and reserves					
Called up share capital	15		62,500		62,500
Profit and loss account	16		(1,774,197)		(2,604,802)
Shareholders' funds – equity interests	17		(1,711,697)		(2,542,302)

These financial statements were approved by the Board and authorised for issue on 29 May 2007


D Werth
Director


D Scott Rees
Director

ACCIDENT ADVICE HOLDINGS LIMITED

COMPANY BALANCE SHEET AS AT 31 MAY 2006

	Notes	£	2006 £	£	2005 £
Fixed assets					
Investments	10		9		8
Current assets					
Debtors	11	10,117		622,224	
Cash at bank and in hand		345,750		-	
		<u>355,867</u>		<u>622,224</u>	
Creditors: amounts falling due within one year	12	(40,256)		(449,168)	
		<u></u>		<u></u>	
Net current assets			315,611		173,056
			<u></u>		<u></u>
Total assets less current liabilities			<u>315,620</u>		<u>173,064</u>
			<u></u>		<u></u>
Capital and reserves					
Called up share capital	15		62,500		62,500
Profit and loss account	16		253,120		110,564
			<u></u>		<u></u>
Shareholders' funds – equity interests	17		<u>315,620</u>		<u>173,064</u>
			<u></u>		<u></u>

These financial statements were approved by the Board and authorised for issue on 29 May 2007


D Wether
Director


D Scott Rees
Director

ACCIDENT ADVICE HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2006

	Notes	£	2006 £	£	2005 £
Net cash inflow/(outflow) from operating activities	18		522,823		(1,084,891)
Returns on investments and servicing of finance					
Interest received		8,144		4,269	
Interest paid		(190,994)		(36,303)	
Net cash outflow from returns on investments and servicing of finance			(182,850)		(32,034)
Capital expenditure					
Payments to acquire tangible fixed assets		-		(135,295)	
Net cash outflow for capital expenditure			-		(135,295)
Acquisitions					
Purchase of subsidiary not consolidated	10	-		(62,500)	
Goodwill acquired		-		(299,998)	
Net cash outflow from acquisitions			-		(362,498)
Net cash inflow/(outflow) before financing			339,973		(1,614,718)
Financing					
Issue of ordinary share capital	15	-		62,500	
New secured loan		-		1,594,239	
New bank loan		-		51,545	
Repay secured loan		(107,622)		-	
Repay bank loan		(51,545)		-	
Net cash inflow/(outflow) from financing			(159,167)		1,708,284
Increase in cash in the year	20		180,806		93,566

ACCIDENT ADVICE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2006

1 Accounting policies

1.1 Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

The financial statements have been prepared on the going concern basis. However, as at 31 May 2006, the group had net liabilities of £1,711,697. No further adjustments are necessary to the accounts as all liabilities have been accrued.

The group continues to be a going concern as the directors are confident that the business going forward will be profitable. The group was however reliant on the continuing support of its directors who have provided the necessary working capital in order that the group can continue trading. The group has continued to be profitable since the year end and any further support above that which has already been given is not thought to be necessary.

1.2 Turnover

Turnover represents the amounts receivable for goods and services net of VAT and trade discounts.

1.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertakings drawn up to 31 May 2006 by the acquisition method of accounting. Intra-group transactions and results are eliminated on consolidation. Various subsidiaries have not been consolidated and the reasons for this are given in Note 10.

1.4 Tangible fixed assets

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	33% straight line
Fixtures and fittings	33% straight line

1.5 Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Investments

Fixed asset investments are stated at cost less provision for impairment in value.

ACCIDENT ADVICE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2006

17 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

18 Goodwill

Acquired goodwill is written off over its estimated useful economic life of one year.

2. Turnover

The total turnover of the group for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

3. Operating profit/(loss)	2006 £	2005 £
Operating profit/(loss) is stated after charging,		
Amortisation of goodwill	-	299,998
Depreciation of tangible fixed assets	45,177	43,133
Rentals under operating leases – land and buildings	146,662	279,366
Auditors' remuneration		
Audit fees	30,000	30,000
Other services	10,000	10,000
	<u> </u>	<u> </u>
4. Other interest receivable and similar income	2006 £	2005 £
Bank interest	8,144	4,269
	<u> </u>	<u> </u>
5. Interest payable and similar charges	2006 £	2005 £
Bank loans and overdrafts	10,914	9,201
Other loan interest	180,080	27,102
Interest due on overdue tax	999	-
	<u> </u>	<u> </u>
	<u>191,993</u>	<u>36,303</u>

ACCIDENT ADVICE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2006

	2006 £	2005 £
6. Taxation		
UK current year tax	87,353	-
UK prior year tax	17,426	-
	<u> </u>	<u> </u>
UK corporation tax charge	104,779	-
	<u> </u>	<u> </u>
Factors affecting the tax charge for the year		
Profit/(loss) on ordinary activities before taxation	935,384	(2,604,803)
Loss on ordinary activities before taxation	<u> </u>	<u> </u>
multiplied by standard rate of UK corporation tax of 30%	280,615	(781,441)
	<u> </u>	<u> </u>
Effects of:		
Depreciation	13,553	27,940
Expenses not deductible for tax	3,512	-
Capital allowances	(10,148)	-
Prior year tax charge	17,426	-
Other tax adjustments	(3,097)	93,750
Tax losses unutilised	(197,082)	659,751
	<u> </u>	<u> </u>
	(175,836)	781,441
	<u> </u>	<u> </u>
Current tax charge	104,779	-
	<u> </u>	<u> </u>

The group has estimated tax losses of £1,200,000 available for carry forward against future trading profits

ACCIDENT ADVICE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2006

7. Profit and loss account of parent company

As permitted by Section 230 of the Companies Act, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit on ordinary activities after taxation for the financial year amounted to £142,556

8. Goodwill

Group	Total £
Cost	
As at 1 June 2005 and 31 May 2006	299,998
Amortisation	
As at 1 June 2005 and 31 May 2006	299,998
Net book value	
As at 31 May 2005 and 31 May 2006	-

9. Tangible fixed assets

	Computer equipment	Fixtures and fittings	Total
Group	£	£	£
Cost			
At 1 June 2005	63,158	72,137	135,295
At 31 May 2006	63,158	72,137	135,295
Depreciation			
At 1 June 2005	21,255	21,878	43,133
Charge for the period	21,370	23,807	45,177
At 31 May 2006	42,625	45,685	88,310
Net book value			
At 31 May 2006	20,533	26,452	46,985
At 31 May 2005	41,903	50,259	92,162

ACCIDENT ADVICE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2006

10. Fixed asset investments

Company	Shares in subsidiaries £
Cost	
At 1 June 2005	62,508
Additions	1
	<hr/>
At 31 May 2006	65,509
	<hr/> <hr/>
Impairment	
At 1 June 2005	62,500
	<hr/>
At 31 May 2006	62,500
	<hr/> <hr/>
Net book value	
At 31 May 2006	9
	<hr/> <hr/>
At 31 May 2005	8
	<hr/> <hr/>

ACCIDENT ADVICE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2006

10. Fixed asset investments (continued)

The following subsidiaries are wholly owned, are registered in England and the class of shares held in each case are ordinary shares

Company	Principal activities
Access to Compensation Limited	Advertising and marketing services
Accident Advice & Compensation Group Limited	Intermediate holding company
Accident Advice Helpline Direct Limited	Assisting individuals with personal injury claims
Accident Advice Helpline Limited	Intermediate holding company
Claim 13 Plc	In Administration
Claim4 Limited	Dormant
Employment Advice Bureau Limited	Dormant
Legal Facilities Management & Services Limited	Assisting individuals with personal injury claims
Liberty Protect Limited	Assisting individuals with personal injury claims
Accident Advice (FI) Limited*	Insurance underwriters intermediary
Accident Advice (URO) Limited*	Insurance underwriters intermediary
Accident Advice Insurance Services Limited*	Dormant
Accident Advice Legal Services Limited*	Solicitors enquiry agent
Accident Advice Monitoring Services Limited*	Dormant
Accident Advice Insurance Management Group Limited**	Intermediate holding company
Accident Advice (FAI) Limited***	Dormant
Accident Advice (IA) Limited***	Insurance underwriters intermediary
Claims 15 Limited+	In Administration
Claim 17 Limited++	In Liquidation
Claims Management and Monitoring Services Limited++	In Liquidation

* Shares held by Accident Advice & Compensation Group Limited

** Shares held by Accident Advice Helpline Limited

*** Shares held by Accident Advice Insurance Management Group Limited

+ Shares held by Claim13 Plc

++ Shares held by Claim15 Limited

The sub-group comprising Claim 13 Plc and its subsidiaries are not included in the consolidated accounts as they are currently either in administration or liquidation or are immaterial. All inter-company balances with these companies have been written off. The amounts written off investments of £62,500 relate solely to these subsidiaries.

The last published accounts for Claim 13 Plc (formerly known as Accident Advice Group Plc) for the year ended 31 May 2003 showed a retained profit for the year of £468,079 and capital and reserves of £519,266.

ACCIDENT ADVICE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2006

11.	Debtors	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
	Trade debtors	416,186	-	256,935	-
	Amounts owed by subsidiary undertakings	-	-	-	620,419
	Other debtors	193,474	-	138,578	-
	Prepayments and accrued income	318,431	10,117	196,739	1,805
		<u>928,091</u>	<u>10,117</u>	<u>592,252</u>	<u>622,224</u>
		=====	=====	=====	=====
12.	Creditors: amounts falling due within one year	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
	Bank loans and overdrafts	171,672	-	41,711	41
	Trade creditors	559,487	7,328	391,473	-
	Amounts owed to group companies	-	32,928	-	449,127
	Taxes and social security	173,823	-	771,414	-
	Other creditors	183,587	-	890	-
	Corporation tax payable	104,779	-	-	-
	Accruals and deferred income	437,852	-	253,669	-
		<u>1,631,200</u>	<u>40,256</u>	<u>1,459,157</u>	<u>449,168</u>
		=====	=====	=====	=====
13.	Creditors: amounts falling due after more than one year	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
	Bank loans (repayable within 1 year)	-	-	9,875	-
	Other loans (repayable within 5 years)	1,486,617	-	1,594,239	-
		<u>1,486,617</u>	<u>-</u>	<u>1,604,114</u>	<u>-</u>
		=====	=====	=====	=====

The other loan is from Marson Financial Services Limited (see note 25) The interest rate is currently 12% The loan is due to be repaid within three years The loan is secured by a fixed and floating charge over the group and all property and assets present and future

ACCIDENT ADVICE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2006

14.	Provision for liabilities and charges	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
	Provision for future cancellations				
	As at 1 June 2005	257,052	-	-	-
	Charge for the period	(242,052)	-	257,052	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	As at 31 May 2006	<u>15,000</u>	<u>-</u>	<u>257,052</u>	<u>-</u>

The provision for future cancellations is the directors' estimate of those sales which will subsequently be cancelled

15. Share capital

Group and company	2006 £	2005 £
Authorised		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Group and company	2006 £	2005 £
Called up, allotted and fully paid		
62,500 Ordinary shares of £1 each	<u>62,500</u>	<u>62,500</u>

ACCIDENT ADVICE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2006

16. Statement of movements on reserves

	Profit and loss £
Group	
As at 1 June 2005	(2,604,802)
Retained profit for the year	830,605
	<hr/>
Balance at 31 May 2006	<u>(1,774,197)</u>
	Profit and loss £
Company	
As at 1 June 2005	110,564
Retained profit for the year	142,556
	<hr/>
Balance at 31 May 2006	<u>253,120</u>

ACCIDENT ADVICE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2006

17. Reconciliation of movements in shareholders' funds

Group	2006	2005
	£	£
Profit/(loss) for the year	830,605	(2,604,803)
Share issues	-	62,500
	<hr/>	<hr/>
Net addition/(reduction) to shareholders' funds	830,605	(2,542,303)
Opening shareholders' funds	(2,542,302)	-
	<hr/>	<hr/>
Closing shareholders' funds	<u>(1,711,697)</u>	<u>(2,542,303)</u>
	<hr/>	<hr/>
	2006	2005
Company	£	£
Profit for the year	142,556	110,564
Share issues	-	62,500
	<hr/>	<hr/>
Net addition to shareholders' funds	142,556	173,064
Opening shareholders' funds	173,064	-
	<hr/>	<hr/>
Closing shareholders' funds	<u>315,620</u>	<u>173,064</u>
	<hr/>	<hr/>

18. Reconciliation of operating profit to net cash outflow from operating activities

	2006	2005
	£	£
Operating profit/(loss)	1,119,233	(2,510,269)
Depreciation and amortisation of goodwill	45,177	343,131
Increase in debtors	(335,840)	(592,251)
(Decrease)/increase in creditors within one year	(63,695)	1,417,446
(Decrease)/increase in provisions	(242,052)	257,052
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	<u>522,823</u>	<u>(1,084,891)</u>
	<hr/>	<hr/>

ACCIDENT ADVICE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2006

19. Reconciliation of net cash flow to movement in net debt

	2006 £	2005 £
Increase in cash in period	180,806	93,566
Cash outflow/(inflow) from decrease/(increase) in debt	159,167	(1,645,784)
	<u> </u>	<u> </u>
Change in net debt resulting from cash flows	339,973	(1,552,218)
Opening net debt	(1,552,218)	-
	<u> </u>	<u> </u>
Closing net debt	<u><u>(1,212,245)</u></u>	<u><u>(1,552,218)</u></u>

20. Analysis of net debt

	At 1 June 2005 £	Cash flow £	At 31 May 2006 £
Net cash			
Cash at bank and in hand	93,607	352,437	446,044
Bank overdraft	(41)	(171,631)	(171,672)
	<u> </u>	<u> </u>	<u> </u>
	93,566	180,806	274,372
Debt			
Debt due within one year	(41,670)	41,670	-
Debt due after one year	(1,604,114)	117,497	(1,486,617)
	<u> </u>	<u> </u>	<u> </u>
	(1,645,784)	159,167	(1,486,617)
	<u> </u>	<u> </u>	<u> </u>
Net debt	<u><u>(1,552,218)</u></u>	<u><u>339,973</u></u>	<u><u>(1,212,245)</u></u>

ACCIDENT ADVICE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2006

21. Financial commitments

Capital commitments

There were no capital commitments at the end of the period

Lease commitments

As at 31 May 2006 the group had annual commitments under non-cancellable operating leases as follows

	Land and Buildings 2006 £	Land and Buildings 2005 £
Expiry date		
Within one year	-	215,688
Within two to five years	93,563	-

22. Directors' emoluments

	2006 £	2005 £
Emoluments for qualifying services	324,958	332,082
Emoluments disclosed above include the following amount paid to the highest paid director	116,000	96,192
Emoluments disclosed above include the following amount of compensation paid to a director in respect of loss of office	-	24,000

23. Employees

Number of employees

The average monthly number of employees (including directors) during the period was

	2006 Number	2005 Number
Sales and administration	94	145
Employment costs	£	£
Wages and salaries	2,230,673	3,273,740
Social security costs	219,508	298,926
	2,450,181	3,572,666

ACCIDENT ADVICE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2006

24. Contingent liabilities

Two subsidiaries within the group, Accident Advice Insurance Services Limited and Accident Advice Monitoring Services Limited, have a potential liability with regard to VAT owed by Claim 15 Limited, as these companies were in the same VAT group as Claim 15 Limited. The maximum potential liability would be the net assets of these companies which was £13,206 as at 31 May 2006.

25. Related party transactions

The group had the following related party transactions during the year:

The group paid rent of £9,011 to SOS Worldwide Plc. L Beck is a director and shareholder of this company.

The group paid rent and service charges of £132,563 to AAG (HQ) Limited. B A Beck and L Beck are directors of this company.

The group paid consultancy fees of £137,616 to Marson Management Services Limited. B A Beck is a director and shareholder of this company.

During the period a loan of £1,257,661 was received from Marson Financial Services Limited. The sum of £1,147,039 was outstanding at the year end. During the year interest of £180,080 was paid in respect of this loan. B A Beck is a director and shareholder of this company.

26. Control

The control of the company is by the Beck family.